

# Casey Inquiry: Concern for the C.I.A.

By JUDITH MILLER

Special to The New York Times

WASHINGTON, July 30 — Concern about the adverse impact of a prolonged inquiry on the morale and stability of the Central Intelligence Agency played a role in the Senate Intelligence Committee's finding that William J. Casey is not unfit to continue as Director of Central Intelligence, according to committee members.

News  
Analysis

The rapid escalation and equally abrupt deflation of the controversy over charges of financial misconduct and poor judgment raised against Mr. Casey can best be explained by what Senator Joseph R. Biden Jr., Democrat of Delaware, called "the overwhelming sentiment by the vast majority of the committee to get this matter behind us for the good of the agency."

Senator Richard G. Lugar, Republican of Indiana, said: "We read the material, listened to the staff and interviewed Mr. Casey. Then we felt there was an obligation to try to use sound judgment to arrive at a conclusion despite the hysteria outdoors." But he acknowledged that concern about the agency had played a role in the committee's prompt action.

## 'Not Exonerated Him'

Mr. Biden and others said that the committee had interviewed Mr. Casey before the staff had done even a rudimentary investigation. He and other committee Democrats said they had insisted that the committee investigation continue and that a minority counsel be hired for the Democrats.

"We have not exonerated him," Mr. Biden said in an interview today. "Nor will I sign any committee report on this matter that does not reflect that a thorough investigation has been done. The integrity of the committee requires it."

In a series of interviews, committee

members of both parties made these observations about the episode:

"Because of the inquiry into his previous financial dealings and management of the Central Intelligence Agency, committee members said, Mr. Casey is likely to be more responsive to committee concerns about his direction of the agency, and to committee complaints about lack of candor in committee briefings and what they characterized as inadequate and belated notification of agency activities.

"Mr. Casey's position in relation to the agency is also likely to be affected, the Senators said, with some arguing that it will be strengthened, and others contending that his command of the agency will be impaired.

"Adm. Bobby R. Inman, Deputy Director of Central Intelligence, has also been placed in a difficult position, sources in the White House and on the committee said, as White House officials have let it be known that, should Mr. Casey leave the agency, Mr. Inman, the committee's favorite, would not be his successor.

"Several Senators agreed that the reputation of Senator Barry Goldwater, Republican of Arizona, had been damaged by his early call for Mr. Casey to resign, a suggestion that, coupled with press reports of a Federal judge's finding of financial impropriety by Mr. Casey in 1968, prompted the committee's investigation. Senator Paul Laxalt, Republican of Nevada, was asked yesterday whether Mr. Goldwater would be humiliated by having to retract his call for Mr. Casey's resignation. He replied, "That's a problem."

## No New Channels of Inquiry

The matters Mr. Casey was asked to discuss yesterday, committee Senators said, were based on information that has already appeared in the press, with no indication of any independent channels of inquiry.

Most members of the panel agreed that among the best effects of the episode would be greater attention by Mr. Casey to the quality and timeliness of briefings of the committee.

Senator Patrick J. Leahy, Democrat of Vermont, said, for example, that this had been perceived as a significant problem by many on the panel. Mr. Leahy said that agency officials had been called back twice to report on Israel's air strike against a nuclear reactor in Iraq, and that he and others had still been dissatisfied with the briefings, even after a third meeting on the raid with Mr. Casey.

The committee also found a briefing on the stability of Saudi Arabia "poorly prepared and based on inadequate information," according to one Senator.

Several Senators, moreover, mentioned that Mr. Goldwater and other members were "furious" that they had learned of assertions of financial impropriety involving Max C. Hugel, Mr. Casey's choice to head the agency's network of clandestine agents, from sources outside the intelligence community, or in some cases, from newspaper accounts. Mr. Hugel denied the charges but resigned his post.

## Assessment of Consultations

In addition, two committee members said they were angered by the lack of timely consultation about the operation of intelligence listening posts in China and the attempted rescue in Laos of military personnel listed as "missing in action."

"We haven't had very many meetings this year," said John H. Chafee, Republican of Rhode Island. "Very few, in fact."

Committee members were divided over whether the episode would strengthen or weaken Mr. Casey's standing within the agency he runs.

"The knives are out for him at Langley," said a key Republican who is not a committee member but who has considerable contact with the agency. "Those who want to get rid of him, who have always viewed him as an outsider, as too political, will be waiting for another mistake."

Others, however, argued that Mr. Casey's position would be strengthened, since he withstood what seemed to be a sudden avalanche of calls for his resignation. Moreover, the incident has demonstrated, they argue, that Mr. Casey has access to and the confidence of President Reagan, which is highly valued within the intelligence community.

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NEW YORK TIMES  
31 JULY 1981

## Casey Tells Federal Ethics Agency He Omitted Three Stock Holdings

By EDWARD T. POUND

Special to The New York Times

WASHINGTON, July 30 — William J. Casey, the Director of Central Intelligence, has notified a Federal ethics agency that he failed to disclose stock holdings in three corporations when he filed a personal financial disclosure statement in January.

According to David R. Scott, chief counsel in the Federal Office of Government Ethics, Mr. Casey, through documents submitted to the ethics agency by the Central Intelligence Agency, explained that he had inadvertently failed to list his holdings in the concerns. Mr. Casey said that he was amending his financial disclosure report to reflect this.

Mr. Scott identified the corporations as Vanguard Ventures, the Energy Transition Corporation and SWC Information Company.

Mr. Casey's failure to report his stock holdings in Vanguard Ventures was reported in The New York Times Saturday. As a result, Mr. Scott said, his agency asked the C.I.A. for information.

### He Values It at \$50,000

According to the information supplied by the agency, Mr. Scott said, Mr. Casey valued his Vanguard holdings at \$50,000.

In amending the report, Mr. Casey publicly reported stock interests in the Energy Transition Corporation, a Washington concern formed in 1979 to develop energy projects, and SWC Information Company, which is involved in publishing. It was formed in the mid-1970's.

Mr. Scott said that Mr. Casey had valued his stock in Energy Transition at \$10,000 and that the intelligence director placed a \$15,000 value on his holdings in SWC.

The Ethics in Government Act of 1978,

under which Mr. Casey submitted his statement, requires a Federal official to disclose holdings valued in excess of \$1,000. The law provides that the Attorney General may bring a civil suit against an official "who knowingly or willfully" fails to report required information. The court may fine an official up to \$5,000 for violating the requirement.

Mr. Scott declined to comment when asked if the ethics agency planned to refer the matter to the Justice Department.

### Not Reported to Senate Group

In the separate financial disclosure report he filed with the Senate Select Committee on Ethics during confirmation proceedings in January, Mr. Casey also did not disclose his interests in the three corporations. According to Stanley Sporkin, general counsel to the intelligence agency and a spokesman for the director, Mr. Casey disclosed to the intelligence committee this week that he had omitted his interest in the three companies in the report he filed with the panel. Mr. Sporkin said Mr. Casey's failure to report was "just an oversight."

Mr. Sporkin said The Times's article saying that Mr. Casey had not reported his Vanguard Venture stock "jogged" the director's memory. He said Mr. Casey started checking his records and discovered that he had not reported his interests in the two other companies.

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# Candid Casey Testimony Defused Inquiry

## His Personal Lobbying, Confession He Erred on Hugel Also Cited

By ROBERT L. JACKSON and DAVID LAMB, *Times Staff Writers*

WASHINGTON—Personal lobbying and persuasive closed-door testimony by CIA Director William J. Casey were credited Thursday with defusing a major congressional inquiry into Casey's business transactions almost before it began.

Some members of the Senate Intelligence Committee who on Wednesday unanimously endorsed Casey to remain in office said the 68-year-old former Ronald Reagan campaign chief had impressed them on two scores in his testimony Wednesday.

They said he combined a strong defense of his past business dealings with a disarming confession that he had erred in choosing Max Hugel, a controversial businessman, for the sensitive position of clandestine services chief of the CIA.

**"Acquitted Himself ... Well"**

Hugel resigned earlier this month amid charges that he had been involved in improper stock deals in 1974. His departure immediately stirred a controversy over Casey himself, especially after two federal court rulings surfaced that were critical of Casey's past business dealings.

"Mr. Casey has acquitted himself very well," said Sen. Jake Garn (R-Utah). Garn said his only concern was "what appears to have been a lack of good judgment" by Casey in hiring Hugel.

Sen. Henry M. Jackson (D-Wash.), another committee member, said Thursday that Casey "made it clear to us he made a mistake" in choosing Hugel, a friend of Casey. But Jackson defended Casey's past business deals in nearly the same language used by Casey himself.

Jackson, at a breakfast meeting with reporters, said Casey "was involved in a lot of litigation over the years because he was serving a lot of (business) organizations."

Casey's performance before the committee was seen by some panel members as contrasting sharply with the actions of Sen. Barry Goldwater (R-Ariz.), the committee chairman. Two Republican senators who refused to permit use of their names said Goldwater acted prematurely last week in calling for Casey's resignation without having sufficient evidence of any misconduct.

Those senators and other committee sources said Goldwater had never been happy with Casey's appointment and that Goldwater would have preferred that a career intelligence officer head the CIA.

Goldwater was also furious at Casey, they said, for having failed to tell the committee about the turmoil over Hugel, although Casey knew about it nearly a

week before Hugel resigned. Finally, Goldwater was further angered when he received apparently inaccurate information that Casey had turned a profit of \$750,000 from Multiponics Inc., one of his high-risk agricultural ventures, whereas Casey actually lost money.

Goldwater's office said the senator would have no comment on those statements by members of the committee.



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BOSTON GLOBE  
31 July 1981

## N.H. publisher Loeb denies knowledge of CIA secrets

United Press International

MANCHESTER, N.H. — Publisher William Loeb said yesterday he has "no knowledge" of secret CIA operations as a result of his friendship with former deputy director Max Hugel.

Loeb also denied published reports that he introduced Hugel to CIA director William Casey.

Sen. Daniel Patrick Moynihan (D-N.Y.) said Wednesday he wants the Senate Intelligence Committee to investigate any possible link Loeb may have had with the agency through Hugel.

Moynihan's comment followed Casey's five-hour appearance before the committee. The committee said later it found no reason for Casey to resign. But Moynihan told reporters "there's more work to be done."

He specifically referred to Loeb, the publisher of the Union-Leader of Manchester, New Hampshire's largest newspaper.

Hugel, a former New Hampshire businessman, reportedly was introduced to Casey by Loeb during the 1980 presidential primary.

The Union-Leader issued a statement quoting Loeb as saying he "had no knowledge of CIA undercover capacities."

31 JULY 1981

## Persona now grata

To the relief of many at the White House, Mr. William Casey, the director of the CIA, has been cleared of charges after a Senate investigation of his financial dealings. A strong sigh of relief could also be heard yesterday in Knightsbridge because Mr. Casey is to be the guest of honour at a dinner given by the Special Forces Club, on October 23.

Casey is no stranger to London; during the last war he ran the counter intelligence division of CSS and was based in Grosvenor Square. He recently presided over the dinner, in Washington, of CSS veterans at which Mrs Thatcher received the Donovan Medal, a special award to commemorate the founder of OSS, General "Wild Bill" Donovan.

Peter Watson

71 July  
CIA DIRECTOR TO ATTEND LONDON DINNER 23 OCT.

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(FROM "THE TIMES DIARY" SECTION, BY PETER WATSON: "PERSONA NON GRATA")

(TEXT) TO THE RELIEF OF MANY AT THE WHITE HOUSE, MR WILLIAM CASEY, THE DIRECTOR OF THE CIA, HAS BEEN CLEARED OF CHARGES AFTER A SENATE INVESTIGATION OF HIS FINANCIAL DEALINGS. A STRONG SIGH OF RELIEF COULD ALSO BE HEARD YESTERDAY IN KNIGHTS-BRIDGE BECAUSE MR CASEY IS TO BE THE GUEST OF HONOUR AT A DINNER GIVEN BY THE SPECIAL FORCES CLUB, ON OCTOBER 23.

CASEY IS NO STRANGER TO LONDON; DURING THE LAST WAR HE RAN THE COUNTER INTELLIGENCE DIVISION OF OSS AND WAS BASED IN GROSVENOR SQUARE. HE RECENTLY PRESIDED OVER THE DINNER, IN WASHINGTON, OF OSS VETERANS AT WHICH MRS THATCHER RECEIVED THE DONOVAN MEDAL, A SPECIAL AWARD TO COMMEMORATE THE FOUNDER OF OSS, GENERAL "WILD BILL" DONOVAN.

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THE WASHINGTON POST  
31 July 1981

# Casey Flap: A Short-Lived Summertime Storm

By George Lardner Jr.  
Washington Post Staff Writer

For the past several weeks, Washington has been treated to ominous rumblings and then open senatorial demands for the scalp of CIA Director William J. Casey.

Then, this week, the issue suddenly dissolved with his virtual exoneration by the members of the Senate Intelligence Committee, including those who were publicly calling for his resignation just a few days ago.

Sen. Barry Goldwater (R-Ariz.), the committee chairman who was the first to call for the CIA chief's ouster, sees nothing to be embarrassed about.

But he allowed yesterday that the short-lived summertime drama "probably never would have happened" if Casey had only known where to find him by phone just three weekends ago.

As it turned out, Goldwater was staying with friends and the CIA's failure to alert the chairman of the Senate Intelligence Committee to a forthcoming expose in The Washington Post about the agency's new chief of covert operations, Max Hugel, led inexorably to a Senate "investigation" of Casey himself.

Casey's habit of not consulting with the congressional oversight committees about important matters had already become a sore point when Hugel was spotlighted in print July 14 as having been involved in improper and perhaps illegal business practices in the early 1970s.

In fact, Casey had appointed Hugel, a Reagan campaign colleague, to head the clandestine service in May without checking with either the White House or the senators, who made pointed but unsuccessful protestations after the fact.

Goldwater was even unhappier when the allegations about Hugel came out without advance warning from his sponsor. Casey, it turned out, had tried to reach Goldwater on the July 11-12 weekend, but didn't know where to find him.

"I first heard of it inadvertently very late Sunday night [July 12] through a mutual friend," Goldwater says. The rest of the committee, it seems, knew nothing at all until Tuesday morning.

Hugel resigned immediately, but the episode drew quick attention to a May 19 federal court ruling that Casey himself, along with other directors and officers of a defunct New Orleans company, had misled investors in a \$3.5 million fund-raising effort.

By Friday, July 17, the committee had started what might best be described as preliminary inquiries — which still can be called an investigation only by stretching the word — into Casey's business career.

But Goldwater, while steaming privately, accurately reflected Casey's status with committee members at that time by stating that his job was secure "unless we find further allegations." The senator also accused the press of making "a mountain out of a molehill" in its coverage of the CIA's latest headaches.

The next week, reporters on Capitol Hill kept picking up word that Goldwater was telling his colleagues something quite different, namely, that Casey was "in trouble" and that it might be best for him to resign. On Thursday night, July 23, NBC television reported that "Goldwater has told some fellow senators he has advised Casey directly that he ought to quit."

The senator learned of that item on returning to his office after dinner, and did a quick burn. He decided to call a news conference later that night in the Senate Radio-TV Gallery to deny it in no uncertain terms. (Correspondent Robert Shakne says he still stands by his story. Goldwater still calls it "a god-damn lie.")

"At first, I told myself, 'Don't say anything about it. Just let it alone,'" Goldwater recalled yesterday. "I would have been better off if I'd done that."

Instead, he stuck out his chin, denied the report at the hastily convened press conference, and found himself peppered with follow-up questions.

At that point, he says, "someone asked me, 'What is your personal feeling?' So I told 'em."

Indeed, he told them repeatedly,

declaring that he felt Casey ought to resign over the Hugel episode alone, because the CIA director had shown such bad judgment in insisting on his appointment.

Casey called Goldwater later that night to express his chagrin. The senator barked back. It was not a friendly exchange.

The next day, Friday, July 24, the tom-toms were beating on the Senate side of the Capitol. Sen. William V. Roth (R-Del.), an Intelligence Committee member, demanded Casey's ouster even more bluntly in a noontime press conference. He accompanied it with a printed statement that declared: "He should go — NOW."

Senate Minority Whip Ted Stevens (R-Alaska) also jumped in, declaring that he had consulted with a number of senators on the committee and pointedly concluded that "Mr. Casey would be wise to accept Mr. Goldwater's advice."

According to an informed Senate source, several other Republicans on the committee were also "prepared to come out for Casey's resignation" when White House chief of staff James Baker called Senate Minority Leader Howard H. Baker (R-Tenn.) in the GOP cloakroom.

"Sen. Baker made clear where he stood," this source said. "He had not called for Casey's resignation and he had no intention to do so. He also said he was sure Sen. Goldwater would conduct a fair and thorough hearing."

After his chat with the White House, Baker also spoke with all other Republican members of the committee and "basically asked them to let things lie, to wait until they got a report" from the committee staff.

CONTINUED



Goldwater, according to a reliable source, also got a message that weekend, perhaps late Friday: that his favorite candidate for the CIA directorship, deputy director Adm. Bobby R. Inman, the man whom Goldwater personally asked President Reagan to appoint last winter instead of Casey, would not get the job, no matter what happened to Casey.

"That was what unwound it," this source declared. "He was told, 'If you get rid of Casey, you still aren't going to get Inman.' It was all downhill from there. The message was delivered to Goldwater and it came from [Sen. Paul] Laxalt," the president's best friend in the Senate.

Goldwater, however, denies being given any such word "by any member of the White House staff or by Sen. Laxalt."

"The only place I've seen that is in Newsweek," he insisted. The magazine reported in this week's editions that the White House had a short list of replacements for Casey, headed by three retired Army generals and pointedly excluding Inman, an intelligence professional who has tilted with the White House on a number of issues.

Goldwater contends that "I didn't place any credence" on the Newsweek story. But he also acknowledges that "I'm prejudiced, I think Bobby Inman is the best intelligence officer in the whole world."

Democratic sources close to the Intelligence Committee also think that the White House short list had, as one put it, "a very chilling effect. It was like saying, 'Here's the General Jack D. Rippers you're going to get.'"

In any case, the committee's "investigation" produced little more

than a rehash of old controversies plus Casey's own version, and documents, concerning the litigation over the bankrupt New Orleans firm. Even now, staff investigators have yet to examine pertinent court records in Louisiana. According to a forthcoming article in New York magazine by columnist Michael Kramer, the records there and in a related New York case conflict in important respects with Casey's claims of having had little to do with the company's affairs.

Goldwater, however, indicates he never paid much attention to the questions about Casey's business career. The senator says that unlike other committee members, he was a businessman himself and he understands, even if some of the others do not, "why a director of a corporation doesn't know about the dot over every i."

By the same token, Goldwater acknowledges, hardly anyone else on the committee thought the Hugel

episode alone sufficient cause for Casey to resign. And, Goldwater says that as far as he's concerned, Casey finally satisfied him on that score at a closed-door session Wednesday, by apologizing for the appointment.

"Mr. Casey admitted he'd been wrong at the hearing," Goldwater said in a telephone interview. "In fact, had he been able to get me on the phone that Saturday before the story appeared in The Post, this probably never would have come up.... I'm perfectly satisfied now. I'm going to work hand in glove with Casey. We'll get along."

Other committee members such as Sen. John H. Chafee (R-R.I.) say that Casey has not yet been "totally vindicated or cleared" and that they mean business when they say there are still "loose ends" to be investigated further. But Goldwater isn't holding his breath.

"As far as I'm concerned," he says, "the business end of Casey never bothered me."

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THE CHRISTIAN SCIENCE MONITOR  
31 July 1981

## Groping toward a foreign policy

By Robert R. Bowie

Many have been urging President Reagan to lay out the basic lines of his foreign policy in a major speech. They are right on one count. Clarity about United States policy and its premises and priorities is essential for coherence and coordination within the executive branch and Congress, and for understanding by the US public, its allies, and its adversaries.

Yet that is lacking today. There is confusion at home and abroad about many of its key aspects: on military strategy and arms control; on relations with the Soviet Union; on critical issues with allies; on the Middle East; and on the approach to Africa and especially South Africa.

In fact, however, such a speech would have been counterproductive up to now. It will be premature until the underlying premises and policies are sorted out. Mr. Reagan took office with a very limited grasp of foreign affairs. An early speech would almost surely have restated many of the slogans and simplicities of his campaign. Silence was better than that. Time was needed for stubborn reality to educate the administration in the complexity of many problems and the necessity for different approaches.

In the past six months crises, allied pressures, and public criticism have modified many of the former positions:

- Initially, the administration seemed to view international affairs almost wholly through an East-West prism, as shown by El Salvador and the first approach to the Middle East. Now, its perspective has widened a bit, with more recognition of the significance of local and regional nationalism, rivalries, and interests and even of the North-South dimension.

- In relations with the USSR, it has begun to move beyond rhetoric into more concrete issues such as grain sales, trade, and arms control negotiations.

- In the Middle East, Reagan began with a total commitment to Israel, which he saw as a unique strategic asset against Soviet influ-

ence. That view must surely have been shaken by Haig's trip to the Middle East and Begin's recent actions, but the President has yet to express a more balanced attitude, or to recognize the necessity of addressing the Palestinian issue, despite Begin's efforts to stonewall on it.

- The tilt in favor of South Africa is apparently being somewhat modified, under pressure from the European allies and African states.

- The administration is also having to review its narrow view of the developing countries, primarily as areas of Soviet competition, and its disinterest or worse in the International Bank and similar agencies.

- And, despite campaign rhetoric, the administration has begun to concern itself with nuclear proliferation, as a result of the Israeli attack on the Iraqi nuclear reactor.

This is progress, but there is still a long way to go. On the Middle East, strategy and aims are undefined. On arms control, Haig's speech set out some reasonable guidelines (though leaving the issue of linkage confused), but Eugene Rostow, new head of the Arms Control and Disarmament Agency, admitted at his confirmation hearing that the administration has no idea what it wants in SALT III. And the Ottawa summit, despite the bland communiqué, showed how wide were the divergences between the US and its allies on many issues.

The pressure to clarify policy will be mounting in the months ahead. The coming visits of Sadat, the Saudi foreign minister, Begin, and Hussein will almost surely force the President to face up to the Palestinian issue. An October meeting in Mexico will focus on the developing countries. And the Europeans have been promised that talks with the Soviets on nuclear weapons in Europe will start in the fall. The President has apparently recognized the need to speed up the policy process, by scheduling mini-National Security Council meetings several times a week.

Under the circumstances, the hammering out of decisions to cope with specific issues as they arise or can be anticipated seems likely

to be the most fruitful route toward an adequate foreign policy. At bottom, Mr. Reagan appears to be pragmatic and capable of adapting his views when helped by sound advice. The question is whether he will receive that assistance.

Thus far, the procedures for making foreign policy have hardly been adequate or effective. Downgrading the role of the national security assistant was correct, in my view, but that requires that the secretary of state be allowed to take the lead in developing policy. And the NSC machinery must ensure that the President has the opportunity for a full and informed discussion of issues before making decisions. The White House advisers closest to him, Messrs. Meese and Baker, have little or no background in foreign affairs, nor do the Cabinet members except for Secretary Haig, whose standing has had its ups and downs. This puts a premium on making effective use of the expertise of the specialists in the various departments, especially through reports, analyses, and commendations prepared jointly by assistant secretaries and their associates. Mr. Allen's main job should be to marshal this input for the NSC meetings.

Finally, the contribution of intelligence becomes especially important in ensuring realistic appraisal of the actual conditions within which policy must be made. Thus the CIA director should have a central role in getting a hearing for the intelligence analyses which may often conflict with preconceptions of key policy-makers. If Mr. Casey survives the current controversy, his intimacy with the President could be a unique advantage in playing that role on condition that he avoids becoming involved too deeply in making the policy choices. Otherwise, the result could be to politicize the intelligence process itself.

*Robert R. Bowie has been concerned with foreign affairs for 35 years while serving on the Harvard faculty, in various government posts, and as a consultant.*

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THE WASHINGTON POST  
31 July 1981

*Stephen S. Rosenfeld*

## Leaning on Intelligence

The quarrel that William J. Casey and his fellow speculators had over an investment turkey in the 1970s is piquant, and the play in the Senate Intelligence Committee about his tenure as CIA director is instructive. But what I have wanted to know is whether this erstwhile World War II spy runner, lawyer, diplomat, banker and Reagan campaign director—okay, whether this Wall Street hustler—could provide good intelligence.

Start at Team B, then-CIA director George Bush's mid-'70s panel of outside experts set up to critique the CIA-led intelligence community's analysts on the Soviet threat. The argument then was whether Team B was a healthy "competitive review" of a shop that had gone ivory-tower soft, or whether its hard-line membership and assumed political mandate made it a "kangaroo court."

Intellectually, that argument was not resolved. Politically, it was. Team B won. That is, trends in the real world and the emerging political consensus, in some combination, made their inevitable mark

on the intelligence bureaucrats, and the darker, more hawkish and more pessimistic estimates prevailed. This happened during the Carter period.

So it was that when Casey arrived at the CIA and checked out the estimating process, he found it sound, needing attention to performance but not design. You can read this several ways. It could be evidence that the process has indeed achieved the goal, so venerated by analysts, of turning out a politics-proof product. Or it could mean that Casey, inheriting a full set of political biases, didn't think or care to examine them.

In any event, confidence in the product brims at Langley. So does confidence in a process based on a notion of multiple competing centers of analysis, those centers being inside the separate government departments and outside in the academic, business and scientific communities. Such competition is traditional, but it is now being tended with a certainty that it is an improvement on the old style.

It is not just the Team B episode that underlies the current insistence that pursuit of diversity has been institutionalized. Albert Wohlstetter's earlier charge that the intelligence community had "systematically" underestimated Soviet missile deployment is taken as the guiding gospel. Israel's pre-1973 organizing of its intelligence service on centralized rather than competitive lines is taken as a real-life object lesson.

Casey has kept (departmental) dissents in the texts of estimates. Oddly, in one estimate his was recorded as the sole dissent. He has thrown back a number of estimates on the stated grounds that they fell short intellectually, did not address the right question or did not include (or explain the absence of) key evidence. The "right question"? The other day, The New York Times reported, Casey said he had rejected estimates on Africa and Latin America that had "not addressed Soviet interests, activities and influence."

The one Casey-era CIA document I have seen is a "research paper," "Patterns of International Terrorism: 1980," published in June. Press reports have said Casey ordered it to blame the Soviet Union; it does—as a victim of terrorism as well as a party "deeply engaged in support of revolutionary violence." Again oddly, Casey is now held to feel that the paper was published to satisfy a State Department wish to get the numbers out and that the analysis in it was not good enough. On the latter point, surely he's right.

It is worth noting that the people running the analysis side enjoy wide respect, not least from some of those who regard Casey as a buccaneer. One of these is his deputy, Adm. Bobby Ray Inman, who has won high and unusually unpatronizing civilian regard for his seriousness and competence. Another is the new chief of estimates, former Whiz Kid, RAND president and professor Henry S. Rowen, a quality defense intellectual.

It is also worth noting that among the CIA's congressional overseers there is no visible inclination to question the Casey analytical approach. Sen. Richard Lugar (R-Ind.) says approvingly that Casey is bringing a "new vigor" and "a different point of view," and Sen. Daniel P. Moynihan (D-N.Y.) feels that "there is no reason to think Casey is going in the wrong direction."

I feel on shaky ground in saying this, but I am not entirely reassured. I suspect that Casey has reinforced the premises he found when he arrived and that the agency is looking at the world through red-colored glasses. Intelligence cannot be politics-free. It should not be. But is there now the proper tension between politicians with their inevitable demand for crisp answers and (good) analysts with their natural drive for clear questions? I am not suggesting that intelligence is being politically cooked but that it is being politically leaned on. Where is Team B?

FT. LAUDERDALE NEWS (FL)  
31 July 1981

## Editorials

### Allow William Casey to do his job

We hope Washington officialdom will permit the controversy surrounding CIA Director William Casey to subside, now that the Senate Intelligence Committee has unanimously agreed that there is no reason to conclude that Casey is unfit to serve.

The charges and the counter-charges were getting a bit thick. Sen. Barry Goldwater, R-Ariz., the chairman of the Intelligence Committee, was demanding Casey's resignation. Sen. Henry Jackson, D-Wash, wisely counselled his colleagues to take a wait-and-see attitude, but then went overboard and accused some of Casey's critics of engaging in "McCarthyism."

Jackson was guilty of a poor choice of words. Concerns about Casey's former business dealings were legitimate, as was criticism of Casey's appointment of Max Hugel, an amateur, as director of covert operations. Hugel quickly resigned after a scandal surfaced involving his former business activity.

Jackson did perform a valuable service, however, in pointing out that the hysteria surrounding Casey was extreme, and the man had a right to face his accusers. The Intelligence Committee's unanimous vote came after five hours of closed-door testimony by Casey, during which the CIA director obviously did a good job acquitting himself.

The CIA is one of the most sensitive organizations in American government. The people who staff the agency must be of the highest caliber. Hugel, it is obvious, was not of that caliber.

The situation with Casey, however, was far different than with Hugel. Casey's credentials for the CIA post are excellent. During World War II he served as chief of the secretariat and later as chief of intelligence operations for the Office of Strategic Services in the European Theater.

After the war, Casey was instrumental in implementing the Marshall plan, and he has served off and on in various important government posts ever since.

Casey's appointment of Hugel was a mistake, but if every official were forced to resign because he made a mistake once in awhile, there would be a lot of empty offices in and around the nation's capital.

Certainly the performance of Casey, and other people occupying sensitive positions of public trust, must constantly be assessed by the appropriate congressional committees.

When charges against officials like Casey arise, however, the officials ought not be hanged without a trial.



SHREVEPORT TIMES (LA)  
31 July 1981

# Unraveling the Casey affair

Just when we thought it was safe to begin trusting the CIA again, the agency has been uncloaked in yet another headline-grabbing scandal. While the controversy may lack the significance of all-too-familiar charges of illicit activity abroad, it has temporarily shifted national focus on the agency from Machiavellian foreign policy to Washington in-fighting.

The Senate committee investigating CIA Director William J. Casey emerged from a five-hour closed hearing Wednesday with the befittingly cryptic statement that it would "follow up on points that need clarification." Despite declaring that Casey is not "unfit to serve," that would seem to confirm the prospect of a divided panel. It also may support the contention that the investigation has political as well as practical basis. But whatever the original intent of the investigation, it has turned up unsettling questions about Casey which loom larger than his ability to select his deputies.

What began as a question of Casey's judgment has evolved into a question of his ethics. Clearly, his promotion of millionaire businessman Max Hugel within the agency was a blunder. While Hugel may have been relatively harmless as the CIA's administrative director, his lack of insight and experience — not to mention his propensity for hot-headed decisions — would certainly have caught up with him as director of clandestine operations. Described as brash and arrogant by CIA higher-ups who opposed his promotion, Hugel hardly seemed the candidate for the position of directing covert operations, despite Casey's contention that an outsider was needed to clean up the division's sordid past. Of course, that problem was settled when Hugel's own sordid past came under question amid charges by two former Wall Street brokers that he had bankrupted them in illegal stock manipulations. Hugel resigned, and Casey's ability as a decision-maker in this most sensitive of government agencies fell to scrutiny.

That decision, alone, should not be sufficient to oust Casey from the CIA directorship. Agency directors, like secretaries of state and presidents, make judgmental mistakes and will no doubt continue to. But now the controversy has shifted to Casey's own business ethics, with the disclosure of a court decision indicating he had baited investors into stock purchases by misleading them as to the debts of Multiponics, an agribusiness firm he co-founded in the late 1960s. The ruling showed Casey knowingly circulated false information about the business by condoning misleading brochures aimed at potential investors. While it is ironic that such a disclosure was not scrutinized in his confirmation hearings, perhaps even more ironic is the fact that the firm went bankrupt in 1971, the same year President Nixon considered Casey's expertise in stocks sufficient to name him director of the Securities and Exchange Commission.

## Casey declared 'fit' to run the CIA . . .

Now that Sens. Barry Goldwater and Daniel Moynihan and their Senate Select Committee on Intelligence have found William J. Casey "fit" to continue as director of the Central Intelligence Agency, the next concern is that the attacks of the past week have not caused too much damage to the work of this sensitive government operation.

The Senate committee was unanimous in its finding there was no evidence to conclude that Casey was unfit for the post. However, the cloud over the director wasn't cleared entirely as Goldwater and Moynihan indicated the committee staff would continue its inquiry into the allegations against Casey, and that a public report would be issued.

Primarily, the report will focus on Casey's past financial activities and on his appointment of Max Hugel as head of the CIA's clandestine operations. Hugel resigned two weeks ago under the pressure of charges he had been involved in improper financial dealings. The charges were denied.

That the inquiry should focus on Casey's business dealings, which are virtually ancient history, doesn't make much sense. The director's past should have been well known to the senators and their investigators. But the suspicion is that Casey's financial dealings of some time ago are not the problem. Rather, it's his intent to restore the CIA to an effective role in the intelligence field, including the resumption

of undercover activities. This has some liberals disturbed.

The CIA cannot engage in covert operations aimed at other governments without reporting its plans to the intelligence committees of both houses of Congress. This is creating some problems for Casey — in addition to the attacks aimed at discrediting him — in satisfying the current law but at the same time planning and carrying out clandestine activities without having them blown ahead of time by a leaky Congress.

Feeding information to congressional antagonists of CIA covert operations, who thereupon would use leaks to subvert the operations, virtually assures that the agency could perform no significant undercover work. Of course, talkative congressmen are not the CIA's only problem. There are also those ex-CIA agents who take to spilling the beans either for personal gain or because of a disenchantment with the work of the agency. The CIA has been hard put to regain a functional role ever since it came under liberal attack during the '70s and its operations were placed under severe constraints. Being placed constantly on the defensive doesn't help.

But now that Goldwater backed off on his precipitous call for Casey's resignation, and now that the Senate Intelligence Committee came to its unanimous finding of Casey's fitness, it is heartening the director is moving promptly to put the CIA on track again.

## ... And acts to stop 'moonlighting'

CIA Director Casey is taking badly needed steps to prevent former agents from trading on their CIA training by selling the expertise and equipment of their dark crafts to unauthorized persons or governments.

The need for some control of former agents' conduct has become embarrassingly obvious with the reports that two of them, Edwin P. Wilson and Frank Terpil, had used their knowledge and CIA contacts to provide the government of Libya with not only training in terrorist tactics but the arms and explosives needed to carry out attacks.

Wilson and Terpil had functioned openly in the United States. They acquired great wealth because of their amoral dealings with Libya, a primary exporter of international terrorism. Companies operated by the pair hired explosive and firearms experts who were flown to Libya to conduct training classes for prospective terrorists. The ex-agents also arranged for a contract between Libya and an American manufacturer used by the CIA that resulted in the delivery to Libya of several hundred thousand timing devices to be used with plastic explosives.

Again relying on their CIA contacts, Terpil and Wilson had even sought to acquire for Libya surface-to-air missiles fired from a man's shoulder although they were aware that Libya had been linked to attempts to shoot down

passenger planes operated by Israel.

The private acts of these two men not only contradicted but undermined the United States' public condemnation of support of international terrorism by other governments. Libya's central role in underwriting terrorist activity has been thoroughly documented and Wilson and Terpil could have had no doubts as to what use Libya would make of their services.

While Wilson and Terpil's activity would seem clearly improper, they operated with the support of the CIA's "old boy" network. Although the CIA was apparently at first unaware of their relation with Libya, the brazenness of their operation led many people who were aware of their activities to assume they had CIA support.

Wilson and Terpil are now fugitives. A criminal investigation against them that dragged on for several years was seriously hampered by the lack of any legal, or contractual, prohibition that barred them as CIA agents from using the knowledge they had gained with the agency to benefit foreign governments whose policies the United States condemns.

Casey's plan to review CIA contracts with its employees and develop additional protections against activities as engaged in by Wilson and Terpil is long overdue. We can only wonder how many more CIA employees have put private profit over loyalty to their country and escaped public notice.

**Ralph S. Moyed**

## Old Casey tidbit finally gets nibble

FOR 16 YEARS, A WILMINGTON LAWYER named John Van Brunt has been dogging the heavy footsteps of William J. Casey, now director of the CIA.

For 16 years, Van Brunt has been insisting that Casey grabbed \$770,000 to which he wasn't entitled in the settlement of a lawsuit between two feuding du Pont brothers.

Van Brunt has contended that Casey improperly used his position as the brothers' lawyer to deal himself in for a share of an oil exploration venture and thereby violated the Canons of Legal Ethics.

For all of that time, Van Brunt has received scant backing from his colleagues. Until now.

In 1971, when Casey was being confirmed as chairman of the Securities and Exchange Commission in the Nixon administration, the Senate Banking Committee heard testimony alleging Casey had not been on the up-and-up in his business dealings.

At the time, Van Brunt went public with the ethics charge he had raised six years earlier during the du Pont brothers' battle in Delaware's Court of Chancery. Proof was hard to come by, because the case had been sealed in 1965 and remained sealed through 1971.

Even then, lawyers, bankers and a judge involved in the du Pont brothers' fight had a hard time remembering what Van Brunt was complaining about.

Edward J. Brady, a New York lawyer involved in the du Pont case who was an old friend of Van Brunt's, told the Senate committee considering Casey's nomination in 1971 that Van Brunt didn't know what he was talking about. Van Brunt, he said, "did not have all the facts."

Now the same Ed Brady has confirmed some of what Van Brunt has been saying for 16 years.

"Casey had us over a barrel," Brady said this week in a telephone interview from his East Side Manhattan home. "We had to settle the case fast. He held us up for big bucks."

Did Casey violate the Canons of Ethics in the du Pont brothers' deal?

"I don't want to answer," Brady said.

Why?

"My answer might hurt him."

Brady would not explain the change of heart since 1971 when, in his words, Casey "dragged" him before the Senate Banking Committee to testify.

Brady knows Casey well. He was working as an accountant in New York when Casey hired him for the Casey law firm, which had the names of former Republican National Chairman Leonard Hall and other high-powered Republicans on the door.

Casey and Brady prospered. Casey established himself as an expert on tax law through his authorship of a widely used series of tax service books.

What Casey did, said Brady, was hire young experts to prepare the materials and then affix his name to them. "He couldn't write all those services himself," said Brady.

Casey was sued for plagiarism during this period and was ordered to pay \$20,000 to the author whose work he had pirated. Brady insists that Casey wasn't at fault. "It was an accident," Brady said, declining to elaborate.

Casey had represented the late Eugene du Pont III of Wilmington and was the lawyer for du Pont's estate. Casey also represented Eugene du Pont's two sons, Nicholas Ridgely du Pont, who since has died, and Eugene du Pont III, in an oil exploration venture.

Brady wound up with the younger Eugene du Pont as his own client. When he left the Casey firm nearly 20 years ago, he took Eugene du Pont with him.

Brady was vague about his reason for leaving the Casey firm. "I was a Democrat in a Republican firm," he said. "Once I left, I never even went near a polling place again. There was no personal animosity."

HERE WAS A FALLING OUT OVER THE OIL DEALS between the two du Pont brothers. A lawsuit followed.

Brady represented Eugene du Pont. Van Brunt was Nicholas Ridgely du Pont's lawyer.

Casey claimed he was entitled to a share of the business. With interest, the share was worth \$770,000.

Van Brunt was furious. He filed a paper charging Casey with the ethics violation. Casey wheeled out the heavy guns in Washington and Wilmington, in much the same manner as he did last week when members of the Senate Intelligence Committee started questioning his business practices again.

It is working now, just as it worked 16 years ago. Van Brunt says the pressure got so heavy that his own partner and his client leaned on him, and he withdrew the charge against Casey.

Casey got his money and, with some help from Brady, had no trouble winning confirmation as SEC chairman in time to help Richard Nixon and John Mitchell through the ITT payoff investigations.

After hearing what Brady now says about Casey, it is hard to understand why he testified for him at the 1971 confirmation hearing.

Brady explained: "I like his wife, Tootsie."

Ralph S. Moyed's column appears Monday, Wednesday and Friday in the Evening Journal and in The Sunday News Journal.



ARTICLE APPEARED  
ON PAGE A-12

THE BALTIMORE SUN  
31 July 1981

## Watchdogging the CIA

The Central Intelligence Agency says it needs to be completely exempt from the Freedom of Information Act. How can this be? As recently as last year the agency said all it wanted was to withhold operational raw files (and keep agents' names secret, an issue not related to the FOIA). Congress wasn't willing to go even that far—wisely, we believe. It would certainly be unwise to go even further and give the agency a full exemption.

CIA Deputy Director Bobby Ray Inman says, "It isn't a case of trying to hide waste, fraud, abuse and mismanagement, but of trying to protect sources and methods." But the CIA can protect sources and methods now. Even under existing law, which requires that raw files be provided in some cases, the agency can delete national security material if it can demonstrate to a court that the material is indeed security matter. It has never lost a case of this sort.

We don't know whether there is waste, fraud, abuse or mismanagement in the CIA now. There has been in the past. Knowledge that unprofessional behavior may become public knowledge is a good deterrent to such practices. Some argue that congressional oversight is enough, but last year when Congress cut back the number of committees watchdogging the CIA from eight to two, it also created procedures whereby many activities do not have to be reported to Congress at all. In addition to that, it is hard to place much faith in the present chairman of the Senate Intelligence Committee, Barry Goldwater, when it comes to being a good watchdog. He said last year that he didn't believe any other part of the government ought to have knowledge of the CIA's activities.

Identifying secret agents can be dirty business, not in the best interest of the nation. But there are Americans who believe it is not in the national interest to

have secret agents. The First Amendment certainly protects their right to argue their case in public, using names or descriptions of agents from non-classified material. The CIA and some members of Congress want to outlaw even that. In fact, under some of the legislative proposals kicking around Capitol Hill, the most cautious, patriotic newspaper could be penalized for generalized reporting on intelligence operations.

OAKLAND TRIBUNE (CA)  
31 JULY 1981

## EDITORIALS

### The Casey flap

A week ago, top Republican members of the Senate were clamoring for William Casey's resignation as director of the Central Intelligence Agency.

Wednesday, they appeared to have changed their minds with the Senate Intelligence Committee finding Casey not "unfit to serve."

The wonder of this flip-flop is that so little has happened to justify it. The intelligence committee has barely had time to read all the documents on Casey's past business dealings, let alone gear up its investigation.

But then, the real controversy about Casey has never been over his financial techniques.

Casey's wheeling and dealing has been part of the public record for a decade, having been aired in the Senate and the press when he was appointed to serve in several top posts in the Nixon and Ford administrations.

The evidence of his "high-risk" and sometimes legally questionable ventures was easily available to the Senate when it confirmed Casey in January. The Senate, out of deference to Reagan, chose to ignore it.

The present questions about Casey's past ventures have not surfaced because of any new concern in the Senate for ethics. What worries senators is the future. William Casey makes them nervous.

Most troubling to them was Casey's appointment over the

opposition of agency professionals, of Max Hugel, a newcomer to the spy business, as chief of the CIA's sensitive clandestine operations arm.

Members of Congress also were disturbed by Casey approved plans, described by some as "harebrained," to overthrow Col. Moammar Khadafy of Libya — so disturbed, in fact, that the House intelligence committee wrote directly to the president to object.

Congress has never been comfortable with the role it has given itself as watchdog of the CIA. Most members would prefer not to know about the CIA's dirty tricks.

Unable to duck that responsibility, they would at least like to have a CIA director who is not inclined, by experience and ideology, to "high-risk" ventures and shady dealings.

Republican senators believe Casey spells trouble at the CIA, both for Congress, which knows the risks involved, and the president, who apparently does not.

They have been trying, in their clumsy handling of the investigation of Casey's finances, to get the message to the White House. But Reagan, sadly, insists on not hearing it.

With Reagan refusing to be saved, the Senate Republicans have decided they have little choice but to call off their rescue.

DES MOINES REGISTER (IA)

31 July 1981

## 'Intelligence' committee?

"Intelligence" has several meanings. One is "secret information, especially about an enemy." Another is "superior powers of mind." Based on the performance of the Senate Intelligence Committee lately, no one is likely to apply the latter definition to the committee.

The committee approved the nomination of William Casey to head the Central Intelligence Agency with few questions asked last January. The other day, committee members suddenly became publicly disenchanted with Casey. Chairman Barry Goldwater (Rep., Ariz.), called for his resignation. Several committee members joined the move to get rid of Casey. They launched an investigation.

That was last week. This week,

after a session with Casey, the committee declared unanimously "that no basis has been found for concluding that Mr. Casey is unfit to serve as director of central intelligence." Another week begins Sunday, and the committee is continuing to investigate, so Casey may not be out of the woods.

The CIA operates in secret. It is not accountable to the public or to Congress in the usual way. The American people count on the Senate Intelligence Committee to keep a close watch on the agency. How can anyone have confidence in a committee whose members behave like dunderheads?

It's time that the committee's members show evidence of superior powers of mind.

PHILADELPHIA POST-GAZETTE (PA)  
31 July 1981

## Clean bill for Casey

*Good morning, Mr. Phelps. This man, Barry Goldwater, the powerful chairman of the Senate Intelligence Committee, has called for the resignation of CIA Director William Casey. Your mission, should you choose to accept it, is to reverse the seemingly inexorable movement toward a Casey resignation.*

Saving William Casey's position at the Central Intelligence Agency may not have been an impossible mission, but as of a week ago it certainly seemed improbable.

Yet this week, the Senate Intelligence Committee, through Sen. Goldwater, announced solemnly that it had found "no basis" for concluding that Mr. Casey was unfit to serve. If the Impossible Missions Force hasn't been working in some elevator shaft in the Capitol Building, what has happened to bring Mr. Casey back from the precipice?

At least a couple of things, and maybe one more.

After uncertain signals from the White House, President Reagan decided to endorse Mr. Casey enthusiastically, notwithstanding the CIA director's disastrous appointment of a nonprofessional, Max Hugel, to head the agency's covert operations — an appointment that backfired when Mr. Hugel resigned after being accused of business improprieties. Equally important, chastise-

ments by two judges of Mr. Casey's own business dealings didn't pack quite the wallop that some senators had apparently expected.

Finally, and more speculatively, there have been suggestions that professionals in the CIA who had not forgiven Mr. Casey for the Hugel appointment had been agitating with members of the Intelligence Committee for Mr. Casey's removal, so that the directorship of central intelligence could go to one of their own, perhaps Deputy CIA Director Admiral Bobby Inman. Whatever the senators may think about Mr. Casey, even the hint of an attempted coup by the "Company" against a presidential appointee probably won Mr. Casey some sympathy.

Whether the country is better off because of his reprieve is not clear. Even though the Intelligence Committee gave Mr. Casey what seemed like a clean bill of health, a staff investigation into his Byzantine business dealings will go on, and if this inquiry turns up something truly embarrassing, the committee's endorsement may serve only to prolong the agony of Mr. Casey's departure.

But that prospect is less troubling than the possibility as of a few days ago that Mr. Casey would have been pressured out of office as the result of panic or pique on the part of a handful of senators.



BIRMINGHAM NEWS (ALA.)  
31 July 1981

## Casey Ambush

Several aspects of the attempted ambushing of CIA Director William J. Casey are quite disturbing. The first is that grounds for his removal or resignation were created out of empty air and without proper regard for the consequences to either the agency or the nation.

Second, remarks by members of Congress that Casey had proposed a covert action to topple Libyan strongman Moammar Khadafi, even if right, needlessly exposed the country to its critics at home and to its enemies abroad. The loose talk certainly bears out claims that Congress cannot be trusted to keep secrets while providing oversight for the agency. It now appears that by means of leaks any unelected committee staffer has virtual veto power over any covert action. All the staffer need do is to blab to the media.

Third, members of Congress who said nothing when allegations concerning Casey's financial affairs were aired years ago appear to have short or convenient memories. If his business dealings are considered wrong now, why were they not considered wrong much earlier?

The CIA director had satisfied the administration that whatever his past business dealings, they were not so questionable as to deserve his ouster. The Senate Intelligence Committee has now given him a clean bill of health after inspecting the evidence he furnished and that gathered by the committee staff.

So he is free to resume his responsibilities. But director of the CIA is one of the most sensitive jobs in government. Not only is the director a sitting target for those who wish to dismantle the CIA and end all U.S. intelligence operations, his activities are also the object of enemy propagandists abroad for purposes of discrediting the agency and the country.

So it is grossly irresponsible to toss around charges of incompetence or wrongdoing on the basis of anything less than irrefutable evidence.

While one can understand their concern for both the agency and the administration, it is clear that GOP Sens. Barry Goldwater, William V. Roth and Ted Stevens were out of line in calling for Casey's resignation before he had been given a proper hearing. The White House staff also did not win any ribbons for its tardiness in coming to Casey's deserved defense. Consequently the agency and its director are left with another untidy mess in the "presence of its enemies."

The CIA, more than anything else, has needed a period of stability in which to recover from the wounds it received during the Nixon administration when evidence of its questionable judgment was aired for all the world to see. Casey was apparently well on the way to restructuring the agency and improving morale. The present flap cannot but delay that progress and damage the agency's effectiveness at a time when the information it is charged with gathering is vitally needed by the president, the State Department and the Pentagon.

SUNDAY TIMES (LA)  
31 July 1981

# Unraveling the Casey affair

Just when we thought it was safe to begin trusting the CIA again, the agency has been uncloaked in yet another headline-grabbing scandal. While the controversy may lack the significance of all-too-familiar charges of illicit activity abroad, it has temporarily shifted national focus on the agency from Machiavellian foreign policy to Washington in-fighting.

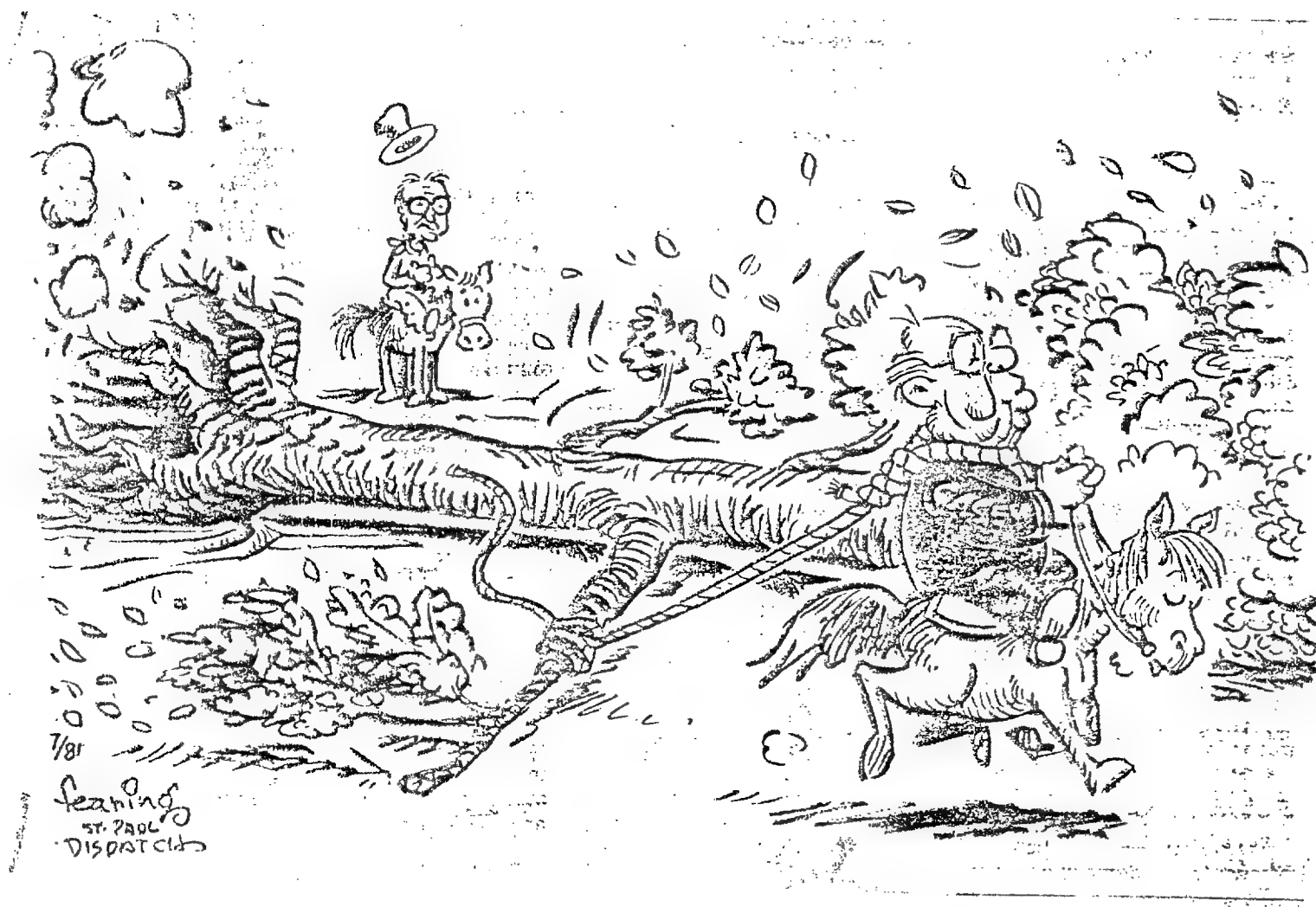
The Senate committee investigating CIA Director William J. Casey emerged from a five-hour closed hearing Wednesday with the befittingly cryptic statement that it would "follow up on points that need clarification." Despite declaring that Casey is not "unfit to serve," that would seem to confirm the prospect of a divided panel. It also may support the contention that the investigation has political as well as practical basis. But whatever the original intent of the investigation, it has turned up unsettling questions about Casey which loom larger than his ability to select his deputies.

What began as a question of Casey's judgment has evolved into a question of his ethics. Clearly, his promotion of millionaire businessman Max Hugel within the agency was a blunder. While Hugel may have been relatively harmless as the CIA's administrative director, his lack of insight and experience — not to mention his propensity for hot-headed decisions — would certainly have caught up with him as director of clandestine operations. Described as brash and arrogant by CIA higher-ups who opposed his promotion, Hugel hardly seemed the candidate for the position of directing covert operations, despite Casey's contention that an outsider was needed to clean up the division's sordid past. Of course, that problem was settled when Hugel's own sordid past came under question amid charges by two former Wall Street brokers that he had bankrupted them in illegal stock manipulations. Hugel resigned, and Casey's ability as a decision-maker in this most sensitive of government agencies fell to scrutiny.

That decision, alone, should not be sufficient to oust Casey from the CIA directorship. Agency directors, like secretaries of state and presidents, make judgmental mistakes and will no doubt continue to. But now the controversy has shifted to Casey's own business ethics, with the disclosure of a court decision indicating he had baited investors into stock purchases by misleading them as to the debts of Multiponics, an agribusiness firm he co-founded in the late 1960s. The ruling showed Casey knowingly circulated false information about the business by condoning misleading brochures aimed at potential investors. While it is ironic that such a disclosure was not scrutinized in his confirmation hearings, perhaps even more ironic is the fact that the firm went bankrupt in 1971, the same year President Nixon considered Casey's expertise in stocks sufficient to name him director of the Securities and Exchange Commission.

There are indeed "a few points that need to be clarified," as the Senate Intelligence Committee has noted. And not all of them are about Casey's judgment and his past business dealings. There is the question of Sen. Barry Goldwater's original motive in calling for Casey's resignation, which may have had less to do with the Hugel affair than his own ill feelings over lack of input into the selection of the agency's director. For now, the Reagan administration continues to side with Casey, perhaps not wanting to set a precedent for what may be further cabinet ouster attempts down the road, a fate foreseen for Interior Secretary James Watt. But the Senate panel has already turned up too many unsettling questions in the Casey investigation to turn back now. Let's hope it will continue until those "points" are clarified.

ST. PAUL DISPATCH (GN)  
31 July 1981



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ON PAGE A-6

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WILMINGTON EVENING JOURNAL

31 July 1981

# Not last word on Casey

**C**IA DIRECTOR William J. Casey is alive and well and grinning like the Cheshire cat, and who can blame him? The Senate Intelligence Committee, which only a week ago was the source of frequent calls for his resignation, voted unanimously Wednesday that he should do no such thing — at least for the time being.

President Reagan's euphoria knew no bounds. Already elated by his overwhelming tax cut victory in the House of Representatives, the president confidently declared, "We knew that those first wild charges and accusations (against Mr. Casey) had no substantiation behind them."

Sen. Barry Goldwater, the committee's Republican chairman and one who had called on Mr. Casey to resign, announced "the unanimous judgment of the committee that no basis has been found for concluding that Mr. Casey is unfit to serve as director of central intelligence."

"The staff will follow up on points that need clarification," the senator added. Then why are the president and Mr. Casey smiling? Is it because they know that the follow-up is simply a smokescreen to obscure the fact that the committee has already rolled over, even before it had made a thorough investigation? Or is it the confidence born of knowing that anything incriminating against Mr. Casey has been safely obscured from prying committee eyes?

Mr. Casey has an acknowledged and impressive ability to sweep away embarrassing footprints from some of the paths he has trod.

Thanks to out-of-court settlements, legal feints and smug rationalizations of unfavorable judicial rulings, it may still be possible to see where Mr. Casey has been but it is difficult to document with whom he associated and what he did.

His defenders scoff at charges against him. The whole affair, they insist, is an inside attempt at the Central Intelligence Agency to get rid of a director who is not a member of the club. One columnist, for instance, conceded that Mr. Casey may have been "insufficiently fastidious in his business dealings," but found that a questionable basis for disqualifying him for public service.

What Mr. Casey's partisans characterize as "insufficiently fastidious," his opponents consider evidence that he lacks the moral and ethical rectitude the public has a right to expect in high public service. We strongly urge the committee to press on with a thorough investigation, because we are appalled that it unanimously rejected what is already known about him as insufficient reason to consider him unfit.

An obviously buoyed Mr. Casey called his five hours of closed testimony before the committee "a cakewalk." His smugness is nearly as offensive as his self-righteousness. We urge the committee to continue its probe and remind Mr. Casey that the beaming Cheshire cat continued to grin even after it began to fade into invisibility. The last thing to disappear was that irritating smile.



RW

CASEY

Approved For Release 2005/11/28 : CIA-RDP81-00901R000400160001-9

BY MICHAEL J. SNIFFEN

AND

ROBERT PARRY

WASHINGTON (AP) -- CIA DIRECTOR WILLIAM J. CASEY MAY HAVE HAD A MORE ACTIVE ROLE IN A FAILED NEW ORLEANS FARMING VENTURE THAN HE LED A SENATE COMMITTEE TO BELIEVE, CONGRESSIONAL SOURCES SAY.

IN CLOSED TESTIMONY WEDNESDAY BEFORE THE SENATE INTELLIGENCE COMMITTEE, CASEY DOWNPLAYED HIS ROLE IN MANAGEMENT OF THE FIRM, MULTIPONICS INC., SOURCES SAID. BUT IN A TRANSCRIPT OF 1975 FEDERAL COURT TESTIMONY, CASEY SAYS HE "KEPT VERY MUCH ON TOP OF THE IMPORTANT THINGS THAT THE CORPORATION WAS DOING."

ONE SOURCE SAID CASEY'S LATEST VERSION TROUBLED DEMOCRATS ON THE COMMITTEE. PANEL INVESTIGATORS NOW ARE SEEKING TRANSCRIPTS OF THE COURT TESTIMONY TO COMPARE WITH WHAT HE TOLD THE COMMITTEE, ANOTHER SOURCE SAID.

IN BOTH INSTANCES, CASEY SAID HE CONCENTRATED ON "BASIC DECISIONS." HE TOLD THE SENATORS THAT MEANT HE DID NOT GET INVOLVED IN DAY-TO-DAY MANAGEMENT, SOURCES SAID, BUT HE HAD TOLD THE COURT THAT MEANT HE CONFERRED BY TELEPHONE WITH TOP MANAGERS ONCE OR TWICE A WEEK.

SOME SENATORS ON THE COMMITTEE WERE AWARE OF THE COURT TESTIMONY BUT THE STAFF INVESTIGATORS HAD YET TO OBTAIN AND ANALYZE IT. ACCORDING TO ONE SOURCE CLOSE TO THE INQUIRY INTO CASEY'S FITNESS TO SERVE AS CIA DIRECTOR.

THE SOURCE SAID OBTAINING THE TRANSCRIPT OF CASEY'S TESTIMONY WAS ONE OF THE "LOOSE ENDS" THAT THE COMMITTEE STILL HAD TO TIE UP.

AFTER HEARING CASEY'S TESTIMONY FOR FIVE HOURS WEDNESDAY, THE COMMITTEE DECLARED UNANIMOUSLY THAT THE 68-YEAR-OLD CIA CHIEF SHOULD STAY AT THE SPY AGENCY WHILE THE INVESTIGATION CONTINUES.

CASEY HAS BEEN CRITICIZED FOR TANGLED PAST BUSINESS VENTURES AND HIS HIRING OF MAX HUGEL, A NEW HAMPSHIRE SEWING MACHINE IMPORTER, TO RUN THE CIA'S WORLDWIDE SPY NETWORK. HUGEL QUIT THIS MONTH AFTER TWO FORMER BUSINESS ASSOCIATES ACCUSED HIM OF IMPROPER STOCK DEALINGS -- AN ALLEGATION HE DENIED.

TESTIFYING UNDER OATH WEDNESDAY, CASEY DENIED HE WAS INVOLVED IN "DAY-TO-DAY OPERATIONS" OF MULTIPONICS, SAYING HIS ROLE WAS LIMITED TO "BASIC DECISIONS," ACCORDING TO ONE SOURCE CLOSE TO THE INTELLIGENCE COMMITTEE.

CASEY ALSO SUPPLIED THE COMMITTEE WITH A LETTER FROM CIA GENERAL COUNSEL STANLEY SPORKIN WHICH MINIMIZED CASEY'S ROLE. IT SAID CASEY "WAS NOT ACTIVELY INVOLVED IN MANAGEMENT" OF THE FIRM.

A COPY OF THE COURT TRANSCRIPT WAS OBTAINED BY THE ASSOCIATED PRESS AFTER IT WAS DISCLOSED IN AN ARTICLE BY MICHAEL KRAMER IN NEW

31 July 1981

## Casey weathers Senate inquiry

Washington

Central Intelligence Director William J. Casey, the first member of the Reagan administration to be the target of a congressional investigation, has apparently survived unscathed. The Senate Intelligence Committee ended a day of questioning Mr. Casey by concluding there was no basis for determining him "unfit to serve."

Committee chairman Barry Goldwater (R) of Arizona, who last week said Casey should resign, said the panel will still "chase down some loose ends" before completing its investigation. The probe focused on Casey's business dealings and stewardship of the CIA. The panel scrutinized a ruling by a federal judge that Casey and former associates misled investors in 1968 and his appointment of Max Hugel as chief of clandestine operations. Mr. Hugel resigned July 14 after allegations — which he denied — of improper stock practices.

Meanwhile, reporting for National Public Radio, Daniel Schorr said that some senators were earlier reported to be concerned about Casey's judgment in allegedly proposing secret operations to support opposition to Libyan leader Muammar al-Qaddafi. The White House, he said, had planted a story concerning a possible CIA-backed coup in Mauritania in order to divert attention from a Newsweek story concerning Casey's approval of the Libyan plan.

31 July 1981

## The Casey Affair: Quirks, Grudges And Anti-Hawks

"There are only the pursued, the pursuing, the busy and the tired," Fitzgerald told us in "The Great Gatsby." He obviously didn't know the half of it. He should have come down from West Egg to Washington this week to watch the ups and downs of the Casey affair. Then he would have gotten a real penful of what happens to public life in one of those moments when it seems ruled by nothing but the hunters and the hunted.

From the beginning the attack on CIA Director William Casey was a little puz-

### Capital Chronicle by Suzanne Garment

zling. It was no secret that the director had failed to dazzle the agency with the proper Stockmanesque crispness. And it was clear early on that his appointment of Max Hugel to head the CIA's clandestine operations was a big mistake: "You must write a piece," one certified Reaganite called to say when the announcement was made, "saying that this thing is an absolute scandal." Still, what was all this sudden attention to Mr. Casey's old financial dealings?

I am currently developing sources on U.S. intelligence matters, using with them a firm unspoken agreement: They refuse to tell me any actual government secrets and I refuse to ask for them, being terrified of what I'd have to do with one if I got it. So I began phoning such people for protection. Was there some real scandal going on here that had not yet appeared in the newspapers?

"What was probably going on here," said one who had been examining the documents to date, "was that Mr. Casey is not a very careful man. Not taking the Multiponics case seriously until he got that summary judgment against him. Thinking you don't have to attend to details, that you can always take care of things with a phone call.

"And it was the same with the Congress. Casey's major crime was that he didn't stroke the Senators enough. Those guys have to think that if there's anything they want to know, they can find out. But with Casey, you knew that if it wasn't an absolute requirement to tell, he just wasn't going to tell you." This was a big part of the problem even with the Hugel appointment, which had angered Senate Intelligence Committee Chairman Barry Goldwater into finally provoking the Casey crisis: "If Casey had just called Goldwater beforehand... but instead he springs it on us."

But, he went on, there was still more that was dispiriting and suspicious about the whole affair: "The guys who blew the whistle on Hugel—why did they do it when they were in the process of embezzling they seemingly had so much reason to keep out of the limelight? How come the information on Casey's old Multiponics court case happened to reach the press at just the same time? Who put them up to it?" And more, when was the press going to stop making stories out of information it didn't have?

Another insider cited a separate proof of the shoddiness of the whole incident: The affair, he noted, had collapsed in just as arbitrary a spirit as the one that had marked its beginning. First Mr. Goldwater and some of his colleagues had declared Mr. Casey's record worrisome enough to warrant serious investigation, very serious, and perhaps even a Casey resignation. It was this declaration that set the journalists off. Not that they came up with any solid new information, mind you, but they certainly produced enough suggestions and front-page print so that the matter could no longer be allowed to die a quiet natural death.

Then, though, the White House rolled in to stop the carnage—and Mr. Casey's pursuers in the CIA and the Senate suddenly became the pursued. "The record remains today what it was last week," this participant pointed out. But the attacking Senators had somehow decided to try and take things back, shut them down, declare Mr. Casey clean. So the Senate committee both cleared Mr. Casey this week and announced that its investigation would nevertheless continue. It was too late for them to abort the investigation altogether; but they had certainly managed to make a stunted and deformed creature out of it.

This was post-Watergate politics reduced to pure form and become ballet. Certainly the flap has brought out a couple of real questions about the management of the CIA. And—who would be foolhardy enough to assert otherwise in Washington nowadays? — if the investigators search long and meticulously they may be able to find some new and horrible secret thing lurking in Mr. Casey's past. But clearly no such knowledge set off the recent furor.

Instead, this show was brought to us by the classic mix of latter-day political motives: the perennial personal quirks and grudges, the legitimate complaints about managerial judgment, the ever-ready bureaucratic resentments, the more specifically modern congressional pride, the characteristic addition of anti-hawk leaks that played so well in the press. And the journalists, though they alluded to many of these things, somehow could not resist turning the mixture into what seems like the only sure-fire mold they know now: days: a story of criminal-type scandal.

If the 1960s showed us how individuals can become famous for being famous, the '70s have taught us entire new lessons in the process by which you can become suspect for being suspected. The air now hissing out of the Casey bubble says that the theme is not so powerful as it used to be. But it seems quite in possible to get people to stop jumping out of the starting gate in the first place.

It is an atmosphere in which it becomes clear no virtues of mind nor principle will save a player if his watchful animal energy somehow begins to fail him. And watching this fact make itself felt over and over again is a sure-fire formula for turning you very quickly from one of the busy into one of the tired.

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ON PAGE 1

CHICAGO TRIBUNE  
31 July 1981

# CIA credibility key in quick Casey OK

By Arthur Siddon

Chicago Tribune Press Service

WASHINGTON—The Senate Intelligence Committee found William J. Casey fit to continue serving as CIA director before completing its probe because it feared damage to the country's intelligence credibility, a key panel member said Thursday.

The committee concluded unanimously Wednesday — after a five-hour meeting with Casey—that it had found no basis for demanding his resignation. At the same time, however, the committee said the inquiry would continue to tie up loose ends.

"We had to come in and make an interim statement in light of the cloud hanging over Casey," said Sen. Henry Jackson (D., Wash.).

"Had the committee not moved on it like it did," then we would have been hurt as a country."

IT IS IMPORTANT, Jackson insisted, that other countries retain confidence in the credibility of the U.S. intelligence community.

Jackson said he agreed with the committee Wednesday that there was nothing in either Casey's past business dealings or his hiring of Max Hugel as the agency's chief of clandestine operations to require Casey's resignation.

"I personally have examined each and every allegation which has surfaced, and — based on what was before us — there was no basis on which to ask him to resign," Jackson said.

LAST WEEK the committee's chairman, Sen. Barry Goldwater (R., Ariz.), and two other key Republicans had called on Casey to step down. Later, Goldwater backed off his statement somewhat, saying that only the President can ask for Casey's resignation.

Jackson said publicly Thursday what several senators had been saying in private all week: Goldwater's call for Casey's resignation had little to do with the current allegations.

"I think it was personalities," Jackson said. "There was bad blood between the chairman, some other members of the committee, and Mr. Casey."

"It was a personality clash. Barry

made no bones he wanted someone else (as director). They got off to a bad start."

JACKSON SAID the committee carefully went over each charge made against Casey, covering a 30-year business career and involving numerous lawsuits.

"As we reviewed each item, it was clear there was absolutely no basis for the allegation his conduct involved moral ineptitude or involved actions which would make him unqualified to run the agency," he said.

"This is just a good ol' American buccaneer taking advantage of the American free enterprise system."

THE MATTER of Hugel appeared to bother Jackson more than Casey's business dealings.

Hugel, a former New York businessman with no past intelligence experience, resigned from the CIA after two former stockbrokers charged he had acted with them to manipulate the price of a stock in which Hugel had an interest.

"He (Casey) made it clear he made a mistake (in hiring Hugel)," Jackson said.

But the question of why Hugel was hired still persists, he admitted.

"Casey is a pretty shrewd individual," Jackson said. "I can't figure him for the Hugel appointment in light of all the other (good) appointments."

JUST HOW and why Hugel was hired is still one of the open questions of the investigation, he said.

Sen. Daniel Moynihan (D., N.Y.), the vice chairman of the Intelligence Committee, also made it clear Wednesday that there remain several unanswered questions.

Moynihan said the Democrats still plan to hire a minority counsel to help Fred Thompson, the Nashville attorney hired by Goldwater as special counsel in the Casey probe. Casey might be called back before the committee to answer more questions as well, he said.

"This is no whitewash," Jackson agreed. "We were determined yesterday not to terminate the inquiry yet . . . the Senate Intelligence Committee has acted in a responsible manner."

31 July 1981

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SENATE COMPARING CONFLICTING CASEY TESTIMONY

BY MICHAEL J. SNIFFEN

AND

ROBERT PERRY

ASSOCIATED PRESS WRITERS

WASHINGTON (AP) - CIA Director William Casey may have had a more active role in a failed New Orleans farming venture than he led a Senate committee to believe, congressional sources say.

In closed testimony Wednesday before the Senate Intelligence Committee, Casey downplayed his role in management of the concern, Multiponics Inc., sources said. But in a transcript of 1975 federal court testimony, Casey says he "kept very much on top of the important things that the corporation was doing."

One source said Casey's latest version troubled Democrats on the committee. Panel investigators now are seeking transcripts of the court testimony to compare with what he told the committee, another source said.

In both instances, Casey said he concentrated on "basic decisions." He told the senators that meant he did not get involved in day-to-day management, sources said, but he had told the court that meant he conferred by telephone with top managers once or twice a week.

Some senators on the committee were aware of the court testimony but the staff investigators had yet to obtain and analyze it, according to one source close to the inquiry into Casey's fitness to serve as CIA director.

The source said obtaining the transcript of Casey's testimony was one of the "loose ends" the committee still had to tie up.

After hearing Casey's testimony for five hours Wednesday, the committee declared unanimously that the 68-year-old CIA chief should stay at the spy agency while the investigation continues.

Casey has been criticized for tangled past business ventures and his hiring of Max Hugel, a New Hampshire sewing machine importer, to run the CIA's worldwide spy network. Hugel quit this month after 140 former business associates accused him of improper stock dealings - an allegation he denied.

CONTINUED



TESTIFYING UNDER OATH WEDNESDAY; CASEY DENIED HE WAS INVOLVED IN 'DAY-TO-DAY OPERATIONS' OF MULTIPONICS; SAYING HIS ROLE WAS LIMITED TO 'BASIC DECISIONS;' ACCORDING TO ONE SOURCE CLOSE TO THE INTELLIGENCE COMMITTEE.

CASEY ALSO SUPPLIED THE COMMITTEE A LETTER FROM CIA GENERAL COUNSEL STANLEY SPORKIN WHICH MINIMIZED CASEY'S ROLE. IT SAID CASEY 'WAS NOT ACTIVELY INVOLVED IN MANAGEMENT' OF THE FIRM.

HOWEVER; IN FEDERAL COURT TESTIMONY SIX YEARS AGO IN NEW ORLEANS; CASEY SAID: 'I HAD AN OPPORTUNITY TO TALK (IN PERSON) TO MEMBERS OF THE MANAGEMENT OR OTHER DIRECTORS TWICE A MONTH ON THE AVERAGE; AND I COULD HAVE TELEPHONE CONVERSATIONS WITH THEM MORE FREQUENTLY THAN THAT; MAYBE ON THE AVERAGE ONCE OR TWICE A WEEK.'

CASEY ALSO TOLD THE COURT THAT HE REGULARLY READ THE MINUTES OF BOARD MEETINGS AND 'KEPT VERY MUCH ON TOP OF THE IMPORTANT THINGS THAT THE CORPORATION WAS DOING.'

A COPY OF THE COURT TRANSCRIPT WAS OBTAINED BY THE ASSOCIATED PRESS AFTER IT WAS DISCLOSED IN AN ARTICLE BY MICHAEL KRAMER IN NEW YORK MAGAZINE.

THE KRAMER ARTICLE; RELEASED THURSDAY; SAID THE MINUTES OF MULTIPONICS' BOARD MEETINGS CLEARLY SHOW THE DIRECTORS DISCUSSING AN OFFERING CIRCULAR FOR A PRIVATE STOCK SALE FOUND BY A FEDERAL JUDGE IN NEW YORK IN MAY TO HAVE KNOWINGLY MISLED POTENTIAL INVESTORS.

THE MAGAZINE ARTICLE SAID ONE OF CASEY'S FELLOW DIRECTORS TOLD THE COURT IN A SWORN AFFIDAVIT THAT 'THE OFFERING CIRCULAR WAS PREPARED BY WILLIAM CASEY AND LAWRENCE ORBE;' ANOTHER MULTIPONICS DIRECTOR. CASEY'S LAWYER; MILTON GOULD; HAS SAID ANY WORK CASEY DID ON THE CIRCULAR RELIED ON THE ADVICE OF THE INVESTMENT FIRM GLORE; FORGAN; OF WHICH ORBE WAS AN OFFICIAL.

AT THE CIR; SPOKESMAN DALE PETERSON SAID THE AGENCY WOULD HAVE NO IMMEDIATE COMMENT ON THE DIVERGENT CHARACTERIZATIONS.

ONE SOURCE CLOSE TO THE COMMITTEE SAID THAT IN DESCRIBING FOR THE PANEL HIS ROLE IN MULTIPONICS; 'CASEY MADE A DISTINCTION BETWEEN BASIC DECISIONS AND DAY-TO-DAY OPERATIONS.'

ANOTHER SOURCE SAID CASEY TOLD THE PANEL THAT WHILE HE WAS INVOLVED IN MULTIPONICS' 'IMPORTANT DECISIONS;' HE HAD LITTLE TO DO WITH THE FIRM'S MANAGEMENT.

WHILE SAYING CASEY'S ANSWER 'WASN'T VERY CONVINCING' TO SOME DEMOCRATIC SENATORS; THE SOURCE ADDED THAT 'WHATEVER CONFLICTS THERE ARE ... THERE'S NOTHING DEFINITIVE. IT'S A MATTER OF SHADING AND CHARACTERIZATION INSTEAD OF BLATANT MISREPRESENTATION.'

AP-WY-07-31 0151E07

# Panel finds Casey fit

By Robert Lenzner  
Globe Staff

WASHINGTON - After hearing five hours of secret testimony from William J. Casey, the Senate Intelligence Committee yesterday unanimously concluded that the 68-year-old CIA director should remain in his post.

Sen. Barry Goldwater (R-Ariz.), chairman of the committee, told reporters gathered in the Capitol Rotunda late yesterday afternoon: "Based upon the staff review to date and Mr. Casey's lengthy testimony today, it is the unanimous judgment of the committee that no basis has been found for concluding that Mr. Casey is unfit to serve as DCI (director of central intelligence)."

Goldwater added, however, that "the staff will follow up on points that need clarification and there will be, in timely fashion, a final report dealing with the issues concerning Mr. Casey's past activities and also his appointment of Mr. [Max] Hugel," the businessman who resigned as CIA chief of operations after published allegations of business fraud.

After Goldwater left the rotunda, Sen. Daniel Patrick Moynihan (D-N.Y.), vice chairman of the committee, said that the

panel could change its mind when full answers to a range of questions still pending are fully developed. Moynihan said that the minority members of the Intelligence Committee will chose their own counsel to join the majority counsel, Fred Thompson, in completing the investigation.

Nevertheless, Casey seems to have fought back and seems safe from attack now, unless some revelation about his past investments and legal activities is discovered. Casey's fortunes took a distinct turn for the better Tuesday, when three members of the Intelligence Committee decided there was no solid reason for his ouster. Goldwater also withdrew his earlier demand for Casey's resignation.

Casey's defense over the past several days included a detailed letter to Goldwater on Sunday, which accompanied voluminous records of his past dealings. In addition, on Monday Casey made an impassioned speech before a large segment of the CIA staff in which he vociferously stated he was innocent on all counts and

explained in detail the background of the choice of Hugel, a New Hampshire businessman, as the director of the intelligence agency's clandestine operations.

Casey's letter to Goldwater revealed for the first time that the CIA director did not accept the decision of a federal judge in May about his role in an agricultural business, Multiponics, that went bankrupt. The judge had ruled that Casey and other directors misrepresented financial information on the company in its original circular seeking for private financing.

"My lawyers have advised me that there are important unresolved legal and factual issues in the case," Casey said in his letter. "They have sought to have the case reheard because they believe the court erred in its judgment particularly on the imputation to me of knowledge of the discrepancies. The decision of the court is only partial and intermediate and is not even appealable now. There is no evidence in the case, nor could there be, that I intentionally misled anyone for personal gain."

In addition, Casey told CIA staff members that the New York judge "took no testimony and based his decision entirely on a comparison of a 1968 document with a 1970 document, neither of which I wrote, read closely or for which I had other than a possible technical legal responsibility." He also told the CIA staff that for over 30 years he had been a "founder, investor or director in over 30 businesses located all over the United States. Three of these ventures involved lawsuits, none of which have thus far imposed any liability on me."

Casey also defended his choice of Hugel for a key CIA post, although Hugel had no related experience, by explaining that "careful discussions of these considerations among senior officials at the agency over a period of several weeks resulted in my decision to appoint Hugel with two experienced deputies and distribute responsibilities among them in a way calculated to reduce the span of management and provide closer supervision of continuing operations and necessary rebuilding. I take full responsibility for a decision that turned out badly. But I believe that there was considerable, if not general, agreement that it was cautiously made and implemented and that it could be a constructive step."

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CHICAGO TRIBUNE  
30 July 1981

# Casey hearings begin in Senate

By Arthur Siddon

Chicago Tribune Press Service

WASHINGTON—The Senate Intelligence Committee began a closed session Wednesday to hear Central Intelligence Agency Director William Casey respond to questions about his business affairs and his leadership of the agency.

Casey arrived promptly, smiling, and said, "It's going to be a cakewalk," as he entered the closed-door committee hearing.

He met with the committee for 2½ hours before it stopped for lunch. The session resumed in the afternoon.

Casey picked up support from key members of the committee Tuesday.

Both Sen. Lloyd Bentsen (D., Tex.) and Sen. Richard Lugar (R., Ind.) indicated Tuesday that Casey should continue as CIA director despite allegations of improper business practices by him while he was a Wall Street lawyer.

"I have read the preliminary file on Mr. Casey's activities and I've heard the committee staff's preliminary report," Bentsen said. "I have yet to hear or see any credible evidence that would lead me to believe Mr. Casey should resign."

"To this point, they haven't laid a glove on him," Bentsen said.

Casey and Bentsen met for a half hour Tuesday in Bentsen's office, after which Bentsen said Casey should have "every opportunity to respond" to the allegations made against him.

LUGAR, WHO met with Casey earlier, said the three-hour, closed-door meeting the committee held Tuesday morning to discuss the allegations against Casey turned up no new evidence that would disqualify him from continuing as CIA director.

"In my judgment, the business disputes presented to the Intelligence Committee today have been covered in previous Senate confirmation proceedings," Lugar said. "I see no reason why he shouldn't retain his position."

The committee wants to question Casey Wednesday on business dealings that were investigated prior to his confirmation, but which the committee did not

cover specifically during the hearings, he said.

MEANWHILE, CASEY expressed confidence that he will be vindicated.

Emerging from a Capitol Hill meeting with yet another committee member, Sen. Patrick Leahy (D., Vt.), Casey said he was "not concerned" about the probe.

"A hundred reporters have been calling my friends and business associates," Casey said. "The bottom of the barrel has been reached, and there is nothing there. My life is an open book."

Casey said he looked forward to testifying before the Senate committee Wednesday, and said he felt confident he could put the entire matter to rest.

"I've always felt fully confident," he said. "I'm not concerned about anything."

EVEN THE committee chairman, Sen. Barry Goldwater (R., Ariz.), who called for Casey's resignation last week, backed off that statement Tuesday.

"The President has said Mr. Casey is going to continue, and Mr. Casey is a creature of the President," Goldwater said. "It is not up to us."

Goldwater said the inquiry into Casey's activities should take from 10 days to two weeks. If it is not completed by Aug. 7, the date for Congress' August recess, the committee will return early to clean it up, he said.

"We want it to be a fair and complete inquiry," said Sen. Patrick Moynihan (D., N.Y.), the ranking Democrat on the committee. "We want to get it done in such time that the intelligence community is not disturbed."

Both Casey and President Reagan have been lobbying hard on Casey's behalf ever since charges surfaced concerning past business dealings and questions arose about his role in appointing Max Hugel as head of CIA clandestine activities. Hugel resigned under pressure.

"THE PRESIDENT has made it clear that he has seen nothing so far that would cause him to change his mind about Bill Casey, and that he continues to support Bill Casey," James Baker, White House

chief of staff, said Tuesday

Several sources close to the investigation said it appeared Casey had managed to turn the corner and that he would come out of the Senate investigation with his job and reputation intact.

However, they also said they didn't believe a clean bill of health would completely solve Casey's problems with both the House and Senate Committees.

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30 July 1981



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30 July 1981

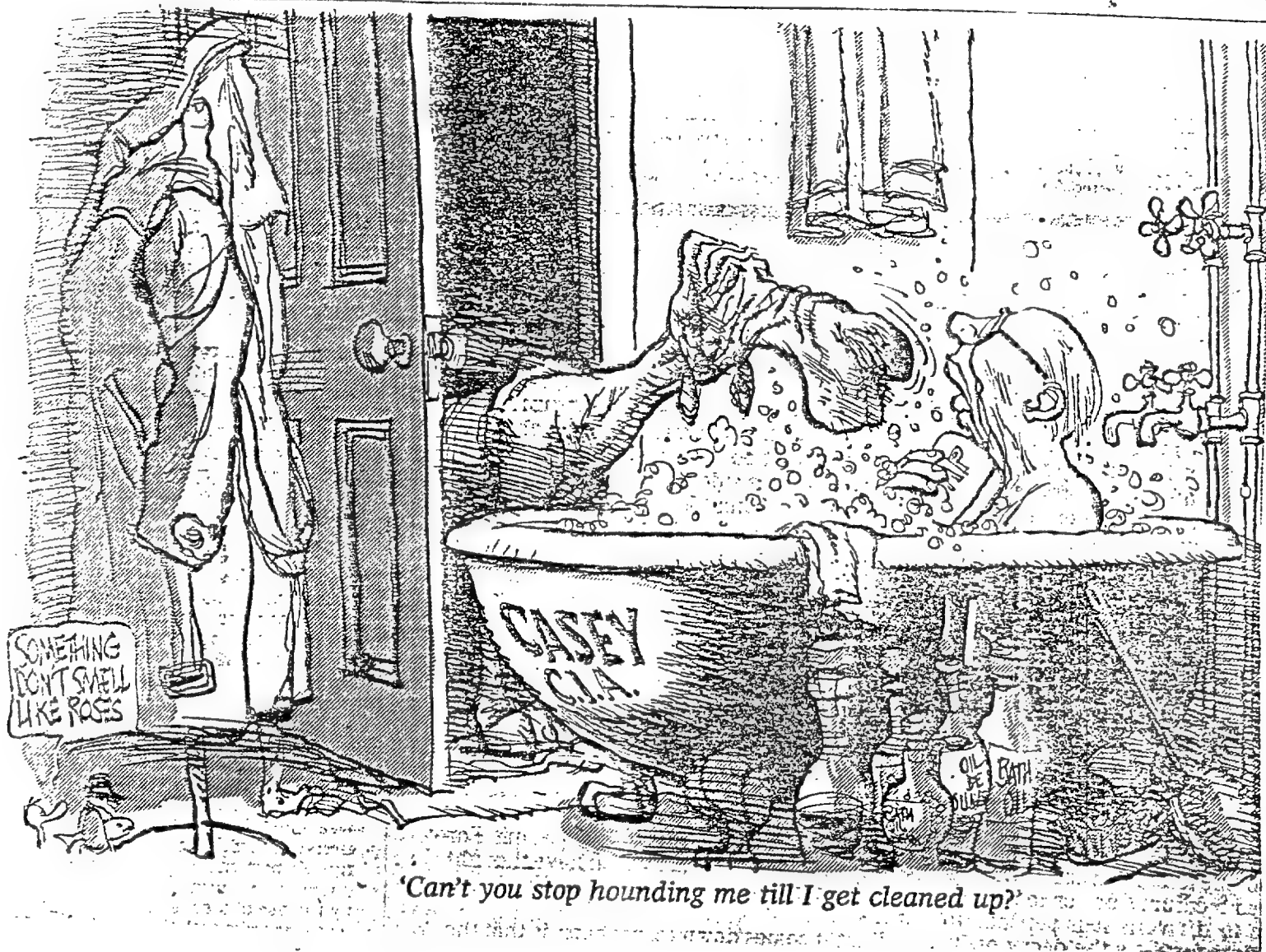
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WALL STREET JOURNAL  
30 July 1981

## Senate Panel Clears Casey Temporarily As Probe Continues; Calls for Ouster Wane

By GERALD F. SZIB

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—The Senate Intelligence Committee gave CIA Director William Casey a temporary stamp of approval but said it will continue investigating him.

After meeting privately with Mr. Casey for about five hours, the committee unanimously decided that it hasn't yet found any evidence that he is "unfit" for his job, said Sen. Barry Goldwater (R., Ariz.), the panel's chairman.

But Sen. Goldwater also said the committee will continue investigating "points that need clarification." That will take two to three weeks, after which the staff will prepare a final report, he said.

Sen. Daniel Patrick Moynihan (D., N.Y.), the panel's ranking minority member, said the committee could still withdraw its support for Mr. Casey after receiving the final report. He also said that minority members of the committee will hire another special counsel to assist Fred Thompson, a former Watergate prosecutor who is leading the investigation.

"There is a range of questions for which full answers haven't been got yet, work that hasn't been done," Sen. Moynihan said. Mr. Casey could be called to testify again, he added.

But congressional clamoring for Mr. Casey's ouster has subsided in the past two days. A preliminary report by the Intelligence Committee staff didn't disclose any substantial new information that damages Mr. Casey. The White House also has continued to back him. As a result, some Senators have rallied behind the CIA director, and many congressional observers have concluded that he will survive the Senate inquiry.

Mr. Casey also has vigorously defended himself, visiting prominent Senators and presenting volumes of documents to answer the committee's questions.

The inquiry has focused on Mr. Casey's role as a director of Multiponics Inc., a failed agricultural concern, and his decision to hire Reagan campaign aide Max Hugel as director of the CIA's clandestine operations.

This week, Mr. Casey sent Sen. Goldwater a nine-page letter describing his activities as a director of Multiponics and denying any wrongdoing. The controversy over his role in the company arose when it was disclosed that a New York federal judge ruled that Mr. Casey and other directors knew of

misrepresentations and omissions in a company securities offering.

The circular said the company's properties included seven operating farm units. But a later registration statement for a public offering said that two of those units weren't operating, that another two were involved only in sharecropping and that one was operating at a loss, the judge said.

Mr. Casey and the other directors were named in another damage suit, filed in Louisiana in 1973, in which they were accused of gross mismanagement and violation of their obligations. A judge denied claims for damages against the defendants, but said the officers and directors had failed to capitalize Multiponics adequately and disregarded a debenture agreement it had with a bank.

Congressional aides have voiced concern, because Mr. Casey listed the New York suit on financial disclosure forms required of Presidential nominees but didn't mention the Louisiana case. The forms require a nominee to list legal actions in which he has been involved over the past five years; Mr. Casey was last involved in the Louisiana action in December 1976, his letter says.

In recent days, Mr. Casey also defended his hiring of Mr. Hugel, a businessman who didn't have any experience in intelligence. Mr. Hugel was forced to resign when former business associates accused him of improper and possibly illegal business activities. He has denied any wrongdoing.

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Last night, President Reagan voiced strong support for Mr. Casey. When asked to respond to the intelligence committee's statement about Mr. Casey, the President said: "I'm not surprised, because the charges and accusations have no substantiation behind them and we're very pleased."

# Casey hearings begin in Senate

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AP Laserphoto  
CIA Director William Casey lends a helping hand to photographer Owen Franken, who tripped and fell over a handcart while trying to take Casey's picture on Capitol Hill Tuesday. On Wednesday, Casey appeared at length before the Senate Intelligence Committee.

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NEW YORK DAILY NEWS  
30 July 1981

# People

By PHIL ROURA and TOM POSTER

## White House nixes bash pals planned for Casey

The White House has put the kibosh on a huge luncheon reunion of former OSS agents from World War II who were being called to Washington to publicly announce their support of their former boss, William Casey, close friends of the Central Intelligence Agency director disclosed yesterday.

The luncheon was being pulled together by Charles Wicks, a former Los Angeles businessman

who was a major fund-raiser for Ronald Reagan and later directed the inaugural celebrations.

Wicks, who is in charge of the International Communications Agency, was reportedly angry because he was directed to drop the Casey luncheon. The reasons: The luncheon would irk the President and Senate leaders who are already miffed that Casey has ignored them since he assumed command of the CIA.

"Casey was No. 2 to OSS Chief William (Wild Bill) Donovan during World War II and since the OSS is the forerunner of the CIA there are many former agents who want to step forward and declare their faith in Casey," said the close associate of Casey. "The luncheon was to be held forthwith because this is when Casey needs us. There is a chance that somebody else will take over the reunion, someone outside the administration."

As of yesterday, the Casey confidante said, the CIA director was hoping that former Treasury Secretary William Simon would chair the tribute. Simon, however, was in Milan, Italy, yesterday on business.



William Casey.



30 July 1981

STAT

# Senate committee clears Casey

By JOSEPH VOLZ

Washington (News Bureau)—The Senate Intelligence Committee unanimously concluded late yesterday that CIA Director William J. Casey, under fire for the last two weeks because of his past business activities, should remain as head of the spy agency.

Sen. Barry Goldwater (R-Ariz.), chairman of the panel, said, "Based upon the Senate review to date and Mr. Casey's lengthy testimony today, it is the unanimous judgment of the committee that no basis has been found for concluding that Mr. Casey is unfit to serve as DCI (Director of Central Intelligence)."

The Arizona senator said, however, that the Intelligence Committee staff would "follow up on points that need clarification and there will be a final report in timely fashion." He did not elaborate on what points needed "clarification."

Clearly, the investigation of Casey, which began when his handpicked operations chief, Max Hugel, resigned in the wake of newspaper reports of alleged stock manipulation, was over.

The confident Casey—who told reporters before going into the all-day closed Intelligence Committee session that his appearance would be "a cakewalk"—said, "This has been a difficult experience for me and I know for some of you. I have become a media event without reason."

BUT, SAID CASEY, who now appears to have the firm backing of President Reagan and seems to have improved his chances to stay on as head of the CIA, "I am sure that, with your patience and support, this

period will soon be behind us and that we jointly can turn our energies in the months ahead to strengthening this country's intelligence capabilities."

The Daily News learned that Goldwater, who last Thursday publicly urged Casey to resign or be ousted from the CIA, Tuesday attempted to get the committee to call off its investigation and yesterday's hearing because no serious evidence had been developed against the CIA chief.

But the panel's vice chairman, Sen. Daniel Patrick Moynihan (D-N.Y.), insisted that Casey be allowed to appear before the committee yesterday as originally scheduled. Moynihan reportedly contended that once begun, the investigation should be completed. Casey conceded to the senators that newsmen "may turn up minor inconsistencies in information that I may have provided in prior statements or reports." But, he said, there will be "no major revelations" that would embarrass them if they came to his support.

CASEY'S TANGLED FISCAL affairs over the last decade or so have been the subject of widespread press coverage since Goldwater told a press conference that Casey should step aside because of poor judgment. The major focus has been on Casey's role as a director of a now-defunct farming venture in New Orleans—Multiponics, Inc.

Earlier, Senate investigators told the panel they had found no evidence of any criminal wrongdoing on Casey's part, though some of his past business activities "may have skirted the borders of ethical conduct and he may have shown poor judgment in the past."



CIA director William J. Casey waving as he testifies before Senate committee.

WASHINGTON POST  
30 July 1981

# CIA Director Is Cleared By Senators

By George Lardner Jr.  
Washington Post Staff Writer

The Senate Intelligence Committee completed a daylong session with CIA Director William J. Casey yesterday by voting unanimously that it had no basis for concluding that he is "unfit to serve."

Sen. Barry Goldwater (R-Ariz.), the committee chairman, announced the decision in a terse appearance before reporters. He said the committee would still "chase down some of the loose ends" before completing its investigation, but then he abruptly sidestepped a question and refused to answer any more.

"I'm going home," Goldwater announced, turning on his heel and leaving the committee's vice chairman, Sen. Daniel Patrick Moynihan (D-N.Y.), alone at the microphones in a noisy niche of the Capitol crypt.

Goldwater said last week that Casey should resign because he showed bad judgment in insisting on the appointment of a Reagan campaign colleague, businessman Max Hugel, as chief of covert operations. Goldwater spoke after Hugel abruptly resigned following disclosure of some of his past business dealings.

But most of the committee's 14 other members held back, indicating that they did not regard the Hugel episode as sufficient cause for Casey's ouster and saying that they wanted to wait for an investigation of allegations concerning Casey's long business career.

A preliminary report was submitted to the committee at an executive session Tuesday, but it contained no surprises and reportedly dealt largely with old controversies that had been aired at previous Senate confirmation hearings for other government posts Casey has held.

Increasingly confident, Casey marched into the Capitol yesterday morning for the closed-door session, telling reporters that "it's going to be a cakewalk."

"I've been through this before," he declared.

The session apparently was not quite the "cakewalk" Casey envisioned. It took five full hours and reportedly included prolonged questioning from Sen. Joseph R. Biden Jr. (D-Del.), which one colleague described as a virtual "filibuster."

At the end, Casey backed out of an expected press conference, left the building and slouched into his limousine with a rather tired expression on his face.

The brief inquiry posed a sharp contrast with last summer's investigation of Billy Carter, which a Senate Judiciary subcommittee carried on for weeks before deciding that it was prepared to question the then-president's brother in a productive fashion.

The Casey inquiry seemed to be at a virtual end only two days after the special counsel hired to conduct it, Fred D. Thompson, had started work.

Asked whether Goldwater had acted too hastily in calling for Casey's resignation, Moynihan avoided a direct answer.

CONTINUED



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"The chairman of this committee," the New York Democrat intoned, "is a distinguished U.S. senator, a man trusted and beloved in this body, and when he speaks, we respond as we have been responding."

The committee approved its findings in a brief executive session after Casey left. The senators said:

"For the past several days, many allegations have been made about Mr. Casey. Based upon the staff review to date and Mr. Casey's lengthy testimony today, it is the unanimous judgment of the committee that no basis has been found for concluding that Mr. Casey is unfit to serve as DCI, director of central intelligence."

"The staff will follow up on points that need clarification and there will be in timely fashion a final report dealing with the issues concerning Mr. Casey's past activities and also the appointment of Mr. Hugel."

Hugel resigned as the CIA's deputy director for operations July 14 when The Washington Post published an account of his allegedly improper financial dealings in the early 1970s. Three days later, the committee formally started a preliminary investigation of allegedly questionable business practices on Casey's part.

Casey denied any wrongdoing. In a July 26 letter to Goldwater and other committee members he contended that all of the questions put to him stemmed from "my activities as a venture capitalist before I entered government service as chairman of the Securities and Exchange Commission in 1971."

Moynihan declined to describe the committee's finding yesterday as "a clean bill of health" for Casey and emphasized that "we have said no more and no less than is in our statement." He also said that the committee's pursuit of the various and unspecified "loose ends" could reverse yesterday's judgment.

"There is a chance of that, yes," Moynihan said. "To say otherwise would be to say we had finished our work."

WASHINGTON POST  
30 July 1981*George F. Will*

## ...Or Just Show?

When Napoleon was bringing the benefits of French culture to Egypt, he wrote to a friend: "I am having three heads cut off here every day and carried around Cairo." That spectacle inclined the natives to subordination.

In 20th century Washington there are comparable spectacles to entertain the natives. Today William Casey, director of the CIA, is a candidate for beheading.

Perhaps Casey was insufficiently fastidious in his business dealings. Whether those dealings disqualify him for public service is doubtful. Anyway, there are larger issues lurking in this episode. One of them is: should the CIA be allowed to select, in opposition to the president, its own director?

An unnamed source in the White House (which is given to tormenting its own administration) is quoted as saying Casey's support is "crumbling." That is gratuitous, and seems calculated to speed the process it purports to describe. An official White House statement says: "Everyone recognizes that the conclusion of that committee may affect the climate on the Hill and the climate elsewhere." That truism about political meteorology also is gratuitous, and suggests that the White House is too ready to switch rather than fight when colleagues are attacked. If so, who will have to be thrown overboard after Casey?

But speaking of "that committee," its chairman is Sen. Barry Goldwater, who had his own candidate for Casey's job (the fellow who is Casey's deputy), and who is said to have felt slighted by the fact and manner of Casey's selection. Goldwater is today even more quirky and unpredictable than he was in his prime. Hence many people who had no use for him then (when people like me were voting for him for president) now consider him entertaining.

Goldwater has never been a martyr to the most exacting standards of analysis of complex problems, and in one of his many and mercurial moods he recently said that Casey should resign, not because of some transgression against the code of capitalism, but because he selected Max Hugel to be head of clandestine operations for the CIA.

Now, it is arguable that we should embrace the novel (here, not elsewhere) principle that an official responsible for a big blunder should resign. The Hugel appointment was a blunder. But from the Bay of Pigs through the fiasco in the Iranian

desert, blunders have come and gone and the perpetrators have not gone. It is curious that Goldwater and some of the others pursuing Casey have suddenly embraced this principle.

Frankly, the Hugel issue looks awfully like a pretext. I do not know the real reasons why some people want Casey out, but I do know that a lot of people in the CIA barony seem to want to pick their own baron. Some CIA people have been unusually brazen in their campaign against Casey, who has the (in their eyes) defect of being an "outsider." But their campaign against Casey may be evidence of why someone other than a CIA "insider" should be director.

Goldwater's committee staff contains many people with connections to the CIA, and Goldwater at this stage in his career is not immune to being unduly influenced by his staff. The Washington Post quotes a "well-tuned congressional source" as saying: "From time to time, CIA people will say, 'Wait till you hear what we had to talk him out of this time.'"

Wonderful! An unnamed source quotes an unnamed source who suggests that he and other unnamed people are heroes for talking Casey out of unspecified mistakes that never happened. Surely it is fair to say that the CIA's recent record does not suggest that its employees are so proficient at their proper business that they have time to spare for the improper business of running political campaigns against the president's choice for director.

Casey is hardly without friends. He is loved well—but not always wisely. Some eminent gentlemen who should know better (including George P. Shultz and William Simon) are organizing several luncheons where Casey's constituency can show its "support" for him. Casey should know better than to allow this additional step toward turning the directorship into the focus of political campaigns. Some senators whose vanities are already excessively engaged are bound to see this as a way of preempting their judgment.

All in all, the Casey episode makes Washington resemble the New York Mets' dugout in 1961 when the Mets were losing 120 games and their manager, Casey Stengel, looked down the bench and muttered, "Can't anybody here play this game?"



# Casey: Reagan's Major Boner

BY ROBERT WEBB

IF MAX Hugel was William J. Casey's worst appointee, Casey himself may be President Reagan's.

His selection to head central intelligence was wrong from the start. Mr. Reagan surely could have managed another job for his campaign manager. This is clearly a case in which the President's understandable desire to help those who helped him backfired.

Casey, 68, who had held about as many government posts already as Elliot Richardson, made some in Congress — and surely many in the Central Intelligence Agency (CIA) — fear the President was "politicizing" the job. Others with long memories were assuredly disturbed by Casey's past difficulties enroute to Senate confirmation to head the Securities and Exchange Commission (SEC).

THE HUGEL affair then exploded with the man Casey picked as director of clandestine operations quitting almost the moment two former associates accused him of improper business dealings. Questions were promptly and justifiably raised (though not yet satisfactorily answered) as to how Hugel had won security clearance so fast for his highly sensitive job. And as the fever mounted over allegations against Casey himself of business improprieties, Senate Intelligence Chairman Barry M. Goldwater, R-Ariz., bluntly called for *his* resignation. "The damage done by Mr. Hugel's appointment is a sufficient position for Mr. Casey to decide to retire or the President to have him retire," Goldwater said.

Whether the Hugel appointment alone justified Casey's removal may be debated. Many would argue, properly, that any manager is entitled to at least one major mistake — though the Hugel appointment was one of incredible proportions, and not only because of his sudden resignation. Hugel's qualifications to head the nation's

professional spy operation were never clear.

One may contend, with justification, that the director of central intelligence need not be experienced in spy work (though Casey, in fairness, received such experience in World War II). He is more a policy-maker and administrator. Moreover, intelligence consists primarily of collecting and analyzing information rather than covert spying. Thus did Vice President George Bush and Adm. Stansfield Turner head central intelligence with no special training for the job.

BUT HUGEL'S assignment — the top spy post, carrying with it command of

## *Casey should quit for Reagan's benefit and the nation's.*

the nation's covert apparatus — would seem to require the utmost preparation and training. And in picking John H. Stein, 48, a CIA veteran with 20 years' experience, as Hugel's successor, Casey seemed finally to acknowledge this. Hugel's principal qualification, apparently, had been his work as a campaign aide to Casey.

So the Hugel appointment cast strong suspicion on the director's judgment — though in this writer's view would not alone justify forcing Casey out. Only proof of sufficient wrongdoing in the director's own business past may, in fact, justify that. As Sen. Henry M. Jackson, D-Wash., said, Casey should get his day in court — that is, before the Senate Intelligence Committee.

Casey, incidentally, had a brush with the law at least as early as 1962 when, as a member of the editorial board of Prentice-Hall, he was charged with plagiarizing a manuscript. At the 1971 Senate Banking Committee hearing on

his nomination to head the SEC, Casey acknowledged paying about \$15,000 in damages as result of the charge. But he said the judge told lawyers for both sides the guilty verdict was not supported by the evidence. The judge, J. Braxton Craven Jr., however, wrote Sen. William J. Proxmire, then chairman of the committee, that "I do not recall (saying) that the verdict was not supported by the evidence, and I am as reasonably sure as one can be after nine years that I made no such statement." Proxmire cast the Senate's lone vote against Casey's confirmation for the SEC.

AS SEC chairman, Casey drew mixed reviews. He shook up the accounting profession and pounced on fellow lawyers by naming some as defendants in lawsuits connected with their clients' fraud. He forced tough rules onto stockbrokers. But a *New York Times* story Dec. 2, 1972 also noted "the Casey commission has never adopted any rule or regulatory stance that was firmly opposed by those who wield the real power at the New York Stock Exchange."

Casey's, in any event, has been an unfortunate tenure in intelligence on three counts: The "politicizing" image he brought the CIA, the Hugel affair (which did nothing to detract from the political image) and the embarrassment caused him and the President by a court case involving Casey's membership on the board of now-defunct Multiponics Inc. of New Orleans (onetime owner of 43,000 acres of farm land in the South). Federal District Judge Charles Stewart of New York recently ruled in a stockholders' suit that Casey knowingly misled investors in a \$3.5-million fund-raising effort for Multiponics. An appeal could overturn the ruling, to be sure.

THE EVIDENCE, nevertheless, seems increasingly impressive that Mr. Reagan stumbled badly on the Casey appointment. For the sake of the President — and the nation — he should step down.

• Mr. Webb is a member of The Enquirer's editorial board.

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CHRISTIAN SCIENCE MONITOR  
30 July 1981

## Casey gets more help at the top

Goldwater may be softening;  
other senators back Reagan

By Godfrey Sperling Jr.  
Staff correspondent of  
The Christian Science Monitor

Washington  
As Washington sees it, President Reagan and Sen. Barry Goldwater (R) of Arizona are in direct, eyeball-to-eyeball confrontation over whether or not Central Intelligence Agency (CIA) Director William J. Casey should be ousted — and now Mr. Goldwater may have blinked.

Whether Goldwater has actually backed down is not certain. But instead of reinforcing his assertion that he thinks Mr. Casey should resign, the chairman of the Senate Intelligence Committee merely noted, when most recently questioned by reporters, that the President was still supporting Casey.

So the growing view here among veteran observers is that Goldwater is finding the considerable clout of this President, together with Casey's resolute defense, more than he wants to contend with.

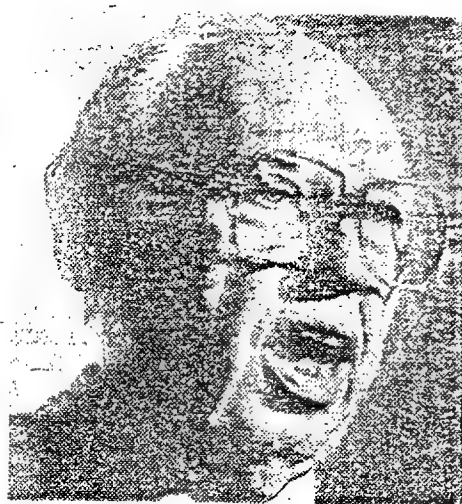
The tide now apparently flowing in the direction of the CIA chief — who has been under fire for alleged bad judgment in making Max Hugel his chief spymaster and for alleged improprieties in business dealings during the 1970s — contains these elements:

- An increasing hardening in the President's backing is now surfacing, following the completion of a full check into Casey's alleged financial problems.

All along Mr. Reagan has firmly asserted that Casey's hiring of Mr. Hugel, who stepped down from his job when his own previous business dealings came under question, would not be enough for him to ask Casey to leave the CIA.

But now, reassured by the check into Casey's past activities, Reagan is pictured as having become unshakably firm in his decision to keep his friend and campaign adviser, Casey, on the job.

- The word has been passed to Gold-



UPI photo

Casey: helped from the hot seat?

water that the President is not about to lose Casey — and some valuable political face along with it — without a stiff battle.

Sen. Paul Laxalt (R) of Nevada, another good friend of the President, reminded reporters the other day in a press conference in which he threw his support behind Casey, of the particularly close Reagan-Casey personal and political relationship. He said it was even possible that without Casey's valuable counsel Reagan might have lost the election.

Also, when asked whether he felt that Goldwater could be overcome in his effort to oust Casey, Mr. Laxalt said he didn't think the veteran senator's clout was such that he could shape the committee verdict.

Up to that point (last weekend) the Senate power flow had been with Goldwater. Two other senators on the committee had echoed Goldwater's call for Casey to leave.

But with the new word being passed — partly by Laxalt, partly by the White House, and partly by Senate majority leader Howard Baker of Tennessee — that Reagan appeared ready to go all-out in behalf of Casey, the tide began to change.

Sen. Richard J. Lugar (R) of Indiana, after a committee executive session, said the briefing "as far as I'm concerned, laid to rest all of the previous questions about Mr. Casey's business deals."

And Sen. Lloyd Bentsen (D) of Texas, also a committee member, now says: "I have yet to hear or see any credible evidence that would lead me to believe Mr. Casey should resign."



30 July 1981

STAT

# Casey wins support of Senate panel

By Curt Matthews

Washington Bureau of The Sun

Washington—The Senate Intelligence Committee agreed unanimously yesterday that it has found no basis to press for the removal of William J. Casey as director of the Central Intelligence Agency.

At the same time, Senator Barry Goldwater (R, Ariz.), chairman of the committee, said the committee staff inquiry would continue. Mr. Goldwater and Senator Daniel P. Moynihan (D, N.Y.), a ranking Democrat on the committee, said the committee staff still had "loose ends" to investigate.

"Based upon the staff review to date, and Mr. Casey's lengthy testimony today, it is the unanimous judgment of the committee that no basis has been found for concluding Mr. Casey is unfit to serve as director of central intelligence," Mr. Goldwater said after Mr. Casey gave his side of the controversy focusing on his fitness to run the CIA.

Though the Intelligence Committee members appeared to give Mr. Casey a clean bill of health, it did not call for President Reagan's former campaign chairman to stay on his job.

"The staff will follow up on points that need clarification," Mr. Goldwater said. "There will be, in a timely fashion, a final report treating the issues concerning Mr. Casey's past activities and also the appointment of Mr. Hugel."

[The Associated Press reported last night that Democratic committee sources said investigators were still pursuing substantive questions that could alter the panel's preliminary judgment of Mr. Casey.

[Mr. Moynihan announced that Democrats on the committee will appoint a counsel to assist Fred Thompson, who was hired as special counsel to the committee by Mr. Goldwater Monday, the AP said.

"There is a range of questions for which full answers haven't been got yet—work that hasn't been done, records that haven't been fully read and such like," Mr. Moynihan said in describing the nature of the continuing inquiry.]

Only last Thursday, Mr. Goldwater led the opposition to Mr. Casey.

Mr. Goldwater said then that Mr. Casey should "retire" because he was involved in questionable stock transactions before joining the CIA and because he placed a potential security risk, Max Hugel, in charge of clandestine operations at the agency.

Allegations of irregular stock market dealings—supported by tape-recorded evidence—forced Mr. Hugel to resign abruptly July 14. Mr. Casey's critics have charged that he should have been more careful than to place Mr. Hugel, who critics charge was vulnerable to blackmail, in one of the nation's most sensitive national security positions.

Mr. Casey, who earlier in the day had said he would answer questions after his session with the committee, changed his mind and left promptly after about five hours of testimony.

Mr. Goldwater said there was no need for further testimony by the 58-year-old head of the CIA, who has been frequently drawn into controversy during his public career but has always found a way to satisfy his critics.

At one point, it was suggested that some of the allegations being raised about Mr. Casey should be examined by the Justice Department. Senator Goldwater said yesterday, however, that no matters that came up during the committee's inquiry warranted such investigation.

Though Mr. Casey's appearance before the committee was behind closed doors, sources close to the committee indicated that his defense paralleled the central points of a speech he made Monday to employees of the CIA.

In that speech, Mr. Casey said that as a businessman he was involved in numerous lawsuits and that the litigation against him as a result of his involvement in Multiponics Inc.—the core of the allegations of financial wrongdoing—was without foundation.

"I have not even known any of the peo-

ple who instituted these lawsuits," Mr. Casey told the CIA personnel. "In contrast, there are hundreds of people in these enterprises who will verify that I always dealt fairly and learned over backward in dealing with them."

Noting that the press has been probing deeply into his background, Mr. Casey said he was certain nothing of substance could be found to disparage his character.

The Multiponics case came to light after Mr. Hugel's resignation with the disclosure of two federal court rulings critical of Mr. Casey's role in the firm, a farming venture that went bankrupt. The courts said the firm was driven into debt by Mr. Casey and other directors who misled investors and ran the firm in their own interest.

Mr. Casey also went into considerable explanation in his speech at the CIA to put down allegations that he sought to expand his own influence within the agency by putting Mr. Hugel in such a sensitive position.

He pointed out that Mr. Hugel was only one of a number of "strong and independent men" he had brought into the agency and added, "I want to assure you that the decision to appoint Mr. Hugel was not made lightly or hastily or without extensive consultation."

He said several career advisers in the CIA had endorsed the appointment.

WASHINGTON STAR (GREEN LINE)  
30 JULY 1981ARTICLE APPEARED  
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# Senators Give Casey Qualified Endorsement

## But Reagan Solidly Supports CIA Chief

By Henry S. Bradsher  
Washington Star Staff Writer

The Senate Select Committee on Intelligence questioned CIA Director William J. Casey for five hours yesterday and then decided unanimously that "no basis has been found for concluding Mr. Casey is unfit to serve" in his post.

A number of questions raised by Casey's appointment of a political friend to a key CIA job and his past business practices remained unanswered, however, and the committee said its investigation would continue.

The committee's chairman, Sen. Barry Goldwater, R-Ariz., said its staff "will follow up on points that need clarification, and there will be in timely fashion a final report. . . ." He estimated it would take two or three weeks.

Casey left Capitol Hill without talking to reporters. A statement issued later through a CIA spokesman said, "The DCI [director of central intelligence] is very pleased with the results."

President Reagan was pleased, too, telling Casey in a phone call, "I couldn't be happier."

But in talking to reporters, Reagan distorted the committee's announcement, turning it from a cautious judgment that no evidence had been found against Casey into a positive endorsement of the CIA chief.

When a reporter remarked to Reagan that the committee had "seemed to" clear Casey, Reagan replied: "They didn't seem to. They unanimously said they wanted him to remain as director of the CIA. We're very pleased."

"I'm not surprised, because we knew that those first wild charges and accusations had no substantiation behind them."

Some committee members were not so certain. The committee's carefully worded "no basis" statement reportedly represented a com-

promise between two factions. One wanted to give Casey a more positive endorsement, while the other wanted to continue to press the investigation.

The committee decision came 15 days after the publication of allegations against the CIA's deputy director for operations, Max C. Hugel, which caused Hugel's abrupt resignation. Hugel, who had helped Casey run Reagan's 1980 campaign, was named to the operations job running CIA clandestine work without receiving full and normal security clearances.

The allegations against Hugel, which he denied, triggered publicity about past business activities of Casey, including a federal judge's finding that he had misled investors in an agricultural business. Casey also denied wrongdoing.

The dispute reached fever pitch last weekend after Goldwater called publicly for Casey's resignation. While Casey's friends rushed to his defense, and Reagan endorsed him on the assumption that no more allegations would appear, Casey sent to the committee Sunday a 20-inch-thick bundle of material in reply to four pages of questions. Casey also asked to be heard personally.

After reviewing that material, the staff briefed the eight Republicans and seven Democrats on the committee at a three-hour closed session Tuesday. Opposition to Casey began to wane, with Goldwater saying it was Reagan's right to keep Casey if he wanted to.

After the five-hour closed hearing for Casey, and then a closed discussion by committee members that lasted less than half an hour, Goldwater and the ranking minority member, Sen. Daniel Patrick Moynihan, D-N.Y., emerged for a crowded news conference in the Capitol Crypt.

"In the past several days, many allegations have been made about Mr. Casey," Goldwater said, reading from an agreed-upon statement. "Based upon the stuff reviewed to date and Mr. Casey's lengthy testimony today, it is the unanimous judgment of the committee that no basis has been found for concluding Mr. Casey is unfit to serve as director of central intelligence."

"The staff will follow up on points that need clarification, and there will be in timely fashion a final report on the issues concerning Mr. Casey's past activities and also with the appointment of Mr. Hugel," Goldwater said.

Goldwater added that the committee "will chase down some of the loose ends that we did not feel were adequately covered by this day's session." Moynihan said Casey had not been invited to appear before the committee again, but "it is entirely possible he will be."

A reporter asked if it was possible some of the loose ends could cause a reversal of the committee's decision in favor of Casey. "Yes," Moynihan replied, "otherwise there would be no need to complete our work."

Moynihan said the committee's Democrats would appoint someone to work with Fred D. Thompson, a Nashville lawyer who was hired by Goldwater on Monday as a special committee counsel for the investigation. A committee spokesman said the work would continue after Congress recesses next week.

Answering another question, Moynihan said that "no matter came up today which would remotely suggest a referral to the Department of Justice."

Goldwater took only one question from reporters before pushing through the crowd and leaving. His own role in the case had fluctuated from one of public caution to his unexpected call for Casey's resignation and then back to acceptance of Casey.

**CONTINUED**

With the mood on the Hill swinging back in Casey's favor after going against him last Friday, when several senators supporters Goldwater's resignation call, the CIA director arrived at the Capitol for the hearing in feisty form.

Casey was accompanied by CIA general counsel Stanley Sporkin, former Nixon administration Treasury Secretary William Simon, aides carrying two large black document bags, and bodyguards.

"It's going to be a cakewalk," he told reporters. "I've been through this before," he said, referring to confirmation hearings for senior positions in the Nixon administration and for the CIA post.

"The bottom of the barrel has been reached, and there's nothing there. My life is an open book," Casey declared.

Goldwater's call for Casey's resignation had focused on the Hugel appointment. Professional intelligence men inside and outside the CIA had reacted strongly against naming the self-made millionaire from New Hampshire to the agency's spymaster position without any experience, but in a speech to CIA employees Casey defended the decision, saying Hugel had experienced deputies.

Goldwater said last Thursday night that Casey's own business affairs raised questions, but his choice of Hugel was sufficient reason in itself for him to quit. Reagan declared two days later, however, that the Hugel affair alone was not a basis for Casey's quitting.

By that time White House counsel Fred C. Fielding had reviewed material on Casey's personal affairs, and Reagan's aides felt fairly confident that nothing damning would be found by the committee. Reagan and Vice President George Bush both endorsed Casey with the cautious proviso that no other personal complications arose.

SAN FRANCISCO EXAMINER (CA)  
30 July 1981

## Casey should resign right away

IT IS HIGH TIME, we think, for William Casey to start packing.

True enough, he scored a victory this week in the Senate Intelligence Committee. But notwithstanding what the committee said it had discovered — of an exonerating nature — in digging into his past activities, Casey should quit his directorship of the Central Intelligence Agency with the least possible delay.

It may be, as some senators have said, that there was, at the outset, an unseemly rush to judgment on allegations of shady business activities on Casey's part before he went to the CIA. We shall know more about that when the Senate panel issues its report on the investigation of his background, but committee members now say they have found nothing to show that he is "unfit to serve."

From the start, he has seemed confident of his ability to answer ethical questions raised about his connections with two firms some time ago. The president has given him support, as have several prominent senators, including Texas Democrat Lloyd Bentsen. The latter said this week of Casey's detractors, "To this point, they haven't laid a glove on him."

The point is, though, that his business dealings were not the most serious disability for which he had to answer. The point is that Casey has laid a glove on *himself*, before this commotion over his past business dealings began. He delivered a wallop to his own chin when he chose his political pal, Max Hugel, to be director of operations of the CIA.

Hugel is a sewing machine importer from New Hampshire without the shred of a credential to head the most important and complex directorate in the CIA — to be the nation's "spymaster," opposite the head of the Soviet KGB's covert activities. This is not the job for an amateur, or a politician, or a businessman, no matter how successful one may have been as the latter. The position requires professional preparation of the highest order. It's a job upon which the nation's survival might depend in a moment of crisis when the quick securing and analysis of secret information could be critical.

Moreover, approved for release 2005/10/28  
morale (which has been severely diminished in recent times) depends in large degree. There

have been signs of serious deficiencies, in both scope and efficiency, in the agency's covert intelligence-gathering operations abroad, and danger arises from such lapses. A president denied the fullest and most accurate information can be badly hampered in preventing crises, or responding to emergencies.

Max Hugel, the non-professional, certainly was not the man to build a better intelligence network. His appointment cast a pall of discouragement over the professionals in the CIA. It was demoralizing. It was grossly political. He had been a deputy campaign manager in President Reagan's race last year, in which Casey was the manager. Lately, Hugel resigned after allegations of improper dealings in his corporate past, but his appointment in the first place was a withering commentary upon Casey's judgment.

Of course, Casey's own appointment by the president also was political, which is no disqualification as long as there are other redeeming qualifications. Casey did have some long-ago intelligence background. But he over-politicized the CIA drastically, by the naming of Hugel, his campaign aide, to that awesome intelligence responsibility, and that blunder by itself disqualifies Casey from further service as head of the agency.

Staying on will appear to be merely an act of political faith between him and the president. If he doesn't quit, a frightfully important function of the government may suffer for it.

## RADIO TV REPORTS, INC.

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4701 WILLARD AVENUE, CHEVY CHASE, MARYLAND 20015 656-4068

FOR PUBLIC AFFAIRS STAFF

PROGRAM Senator Barry Goldwater STATION WRC Radio

DATE July 30, 1981 7:20 AM CITY Washington, DC

SUBJECT William Casey

KEN ALVORD: Senator, can't resist asking you about the pronouncement out of your Senate Intelligence Committee yesterday on CIA Director William Casey. I know you'd indicated earlier that you still had some reservations but you were willing to go along with the will of the committee. Now we have a unanimous voting saying for the moment that he is, according to what you all have heard, fit to stay on the job. Does that include the judgment factor that you and I have talked about in connection with the Hugel case?

SENATOR BARRY GOLDWATER: Yes, he satisfied all of us. He admitted that he'd made a mistake. He outlined the mistake in detail -- Hugel -- and it cleared up the question in my mind. And had he got me on the phone the day that he did it, then there wouldn't have been any question.

ALVORD: Well, Senator, I understand the investigation, nevertheless; [is] continuing. What are you doing, wrapping up loose ends?

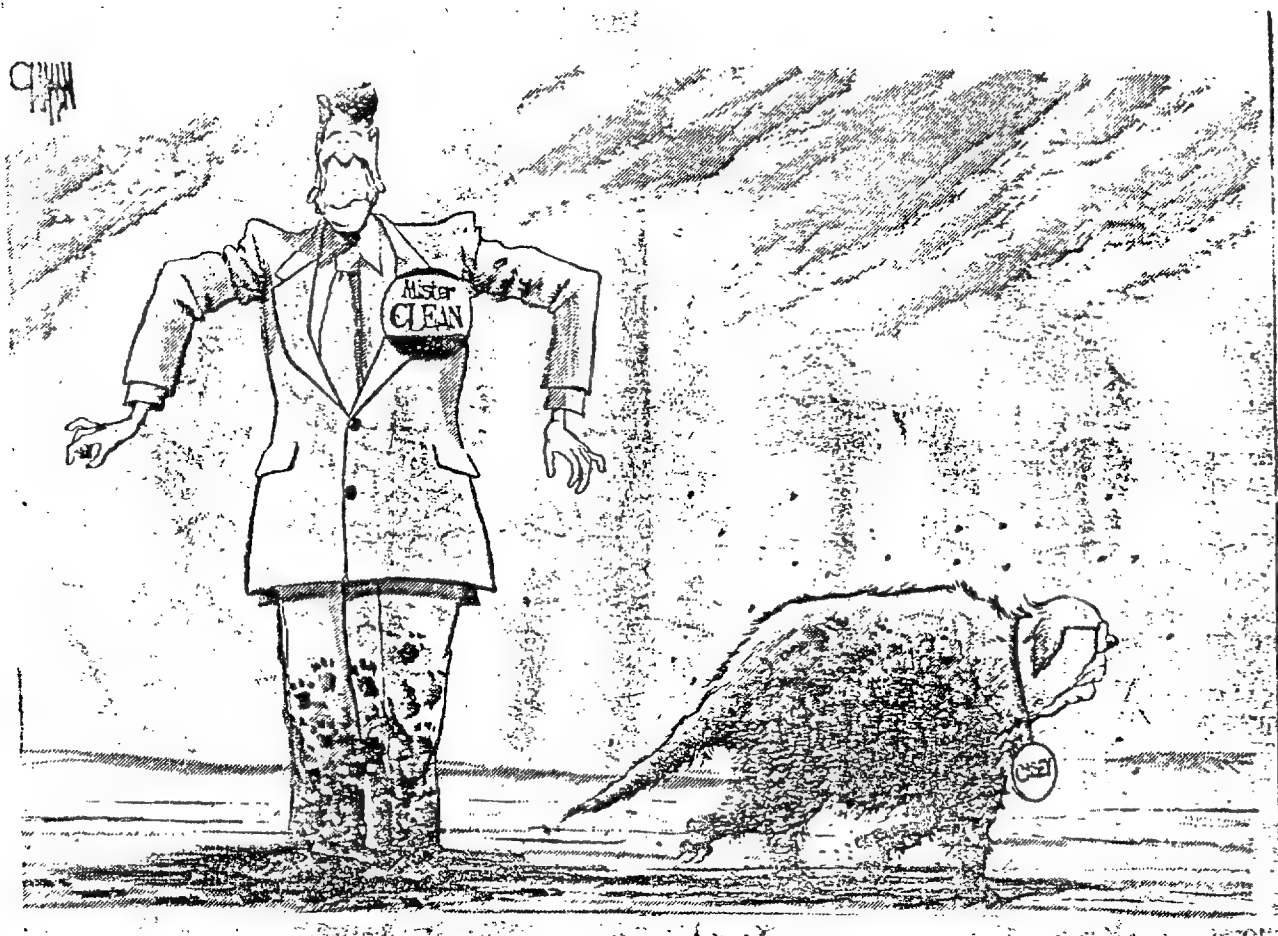
SENATOR GOLDWATER: Oh, there must be eight or ten different business deals that members -- different members of the committee wanted a few more answers to. But having been in business myself, there's nothing more to look for or look at but we're going to continue maybe for another two weeks or so, just to find out what there might be that we didn't get into yesterday.

ALVORD: Okay. Thank you, Senator.

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PITTSBURGH PRESS (PA)

30 JULY 1981



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Joseph Kraft

## Casey: Bizarre Affair...

Surrealism outdoes itself when the head of the country's secret intelligence service moves around town followed by troops of photographers. But that's only the most obvious incongruity in the bizarre affair centering around the director of the Central Intelligence Agency, William Casey.

All the persons in the drama seem to be playing roles cast for other actors. The ultimate irony is that Barry Goldwater, a conservative Republican and longtime friend of the CIA, had to be saved from leading an inquiry that would have done serious damage to the agency.

Goldwater became head of the Select Intelligence Committee when the Republicans took over the Senate. He wanted as director of the agency Bobbie Ray Inman, an admiral with a long and honorable background in intelligence work. Goldwater did not favor Casey, the Wall Street lawyer and Reagan campaign director whom the president tapped for the CIA post. But Casey made Inman his deputy, and Goldwater confined his displeasure to private grumbling.

The private grumbling became public outrage after Max Hugel, another Reagan campaign worker and Wall Street figure whom Casey appointed to head covert operations for the CIA, resigned following charges of improper stock transactions. Casey apparently brushed off Goldwater's questions about Hugel in rude fashion. Goldwater then seized on the Hugel affair, and on several long-standing transactions involving Casey's finances, to demand that he resign as CIA director.

Democratic senators, led by Pat Moynihan of New York, insisted that before any rush to judgment on Casey there be a serious inquiry. A couple of senior Republican senators friendly to Goldwater apparently thought there was another big scandal brewing. To head that off, Assistant Majority Leader Theodore Stevens of Alaska and William Roth of Delaware called on Casey to resign in order to avoid doing damage to the CIA by a long inquiry.

By the end of last week, the stage seemed set for a full-dress inquest, and Washington was alive with dirty rumors. One story, leaked from the House Intelligence Committee and subsequently denied, had it that the real bone of contention was a plan approved by Casey for a coup in Libya that featured assassination of the strong man of that country, Muammar Qaddafi. Another story claimed that the old boy network in the CIA led by

Adm. Inman, wanted to get Casey. Another rumor alleged that somebody in the White House wanted Casey out.

Against that spreading cloud of suspicion, the White House and Senate Majority Leader Howard Baker mobilized a counter campaign on behalf of Casey. The White House announced that Casey had the personal backing of President Reagan. It spread word that even if Casey was forced to resign, the job would not go to Goldwater's favorite, Adm. Inman. It even surfaced as possible successors to Casey the names of three retired generals—Vernon Walters, Daniel Graham and Sam Wilson—manifestly inferior to Inman in qualifications.

Paul Laxalt, the president's best friend in the Senate, charged that Casey was being tried in public on "unsupported allegations." Former Treasury secretaries George Schultz and William Simon joined with some veterans of World War II intelligence operations to support the CIA director. Casey defended himself in a 45-minute appearance before CIA employees. Adm. Inman went on television and strongly intimated the charges against his boss were rooted in Democratic political objectives.

The key move was the designation of a committee counsel to lead the inquiry under Goldwater. The man chosen was Fred Thompson, a Tennessee associate of Majority Leader Baker, and an old friend of the White House counsel, Fred Fielding. "If I were guilty, I'd sure want to be investigated by Thompson," a Republican lawyer in Washington, who worked with him during the Watergate hearings, said of the appointment. Thompson took over a quick survey of papers delivered to the committee by Casey. Yesterday, after two days of closed hearings, Goldwater and Moynihan issued a statement saying that Casey had not been found unfit for his position. But Casey has acknowledged the appointment of Hugel was a mistake, and there is contention within the committee about how big a mistake.

All signs are that Casey will get off—at least for the present. The Democrats feel the Republicans will face a political problem any time any suspicion of any kind ever falls on Casey. And there lies the lesson of the whole, strange affair. It is that suspicion of the CIA, and similar agencies, now runs so heavy in the country that it takes serious effort of an organized kind to prevent a clash of personalities and a whiff of wrongdoing from spreading into a major scandal.

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30 July 1981

## Casey should keep CIA post, senators decide

By Robert Parry  
Associated Press

WASHINGTON — The Senate Intelligence Committee unanimously concluded yesterday that William J. Casey should remain as CIA director.

The committee chairman, Sen. Barry Goldwater (R., Ariz.), told reporters after Casey had finished five hours of closed-session testimony on his past business practices and management of the agency.

"It is the unanimous judgment of the committee that there is no basis for concluding that Mr. Casey is unfit to serve as director of Central Intelligence."

Casey, who was President Reagan's campaign director last year, has been under fire for his dealings in a now-defunct New Orleans company and for his hiring of Max Hugel, a businessman with little intelligence experience, as chief of the CIA's spy network.

Goldwater told a crowded news conference at the Capitol that the committee's conclusion — reached a little more than half an hour after the hearing — was based on Casey's testimony as well as on a review by the committee staff over the last several days. He said the staff would continue working to close out some final paperwork on the inquiry and might need two to three weeks to clear up those "loose ends."

Goldwater, who had been the first to call for Casey's resignation, seemed to back away from that demand Tuesday. And yesterday he did not elaborate on the committee's reasoning, refusing to answer questions.

The panel's ranking Democrat, Sen. Daniel P. Moynihan of New York, said there was a chance the process of wrapping up loose ends could turn up something that would change the committee's conclusion. He said the final report will be made public.

When Casey arrived for the closed hearing, he appeared confident because he had picked up new Senate support Tuesday. He was accompanied by CIA general counsel Stanley Sporkin, former Treasury secretary William Simon and aides carrying two large black document cases.

Speaking with reporters on the Capitol steps before the hearing, Casey expressed confidence about the outcome, saying, "It's going to be a cakewalk."

"I've been through this before," he said, referring to his past confirmation hearings for high-level posts in the Nixon and Ford administration and for his CIA appointment in January.

Without releasing the details of his defense, Casey has asserted his innocence of any wrongdoing in his past business practices and his running of the CIA. His counteroffensive against his critics seemed to gain ground Tuesday, after several days of mounting congressional calls for his resignation — a trend begun by Goldwater late last week.

Tuesday, however, Sen. Richard G. Lugar (R., Ind.), a committee member, declared that the Casey matter had been "laid to rest" by the information he had submitted to the committee, and Democrats Lloyd Bentsen of Texas and Patrick Leahy of Vermont said they had seen nothing to justify Casey's resignation.

Commenting on press inquiries into his past, Casey said, "The bottom of the barrel has been reached and there's nothing there."

A committee source, who declined to give any details, said Tuesday that some new questions that have arisen about Casey concern his legal representation in 1977 of SCA Services, a New Jersey waste-disposal system with alleged ties to organized crime. Casey represented the firm before the Securities and Exchange Commission, which he had headed in 1971-72.

After a three-hour closed session Tuesday to review what its staff had learned about Casey, the committee summoned him to testify under oath yesterday. He had asked earlier to appear before the panel, vowing to clear up any questions.

The Casey controversy erupted when Hugel, a New Hampshire businessman and Reagan fund-raiser whom Casey picked to run the CIA's worldwide spy network, was charged by past associates with involvement in stock manipulations.

Hugel, denying the charges, resigned immediately. But the furor grew with disclosure of two federal court rulings critical of Casey's role in Multiponics Inc., a failed New Orleans farming venture that the courts said was driven into debt by Casey and other directors who misled investors and ran the firm in their own self-interest.

Goldwater said at a news conference last week that the Hugel appointment had severely damaged the CIA and that it alone justified the demand for Casey's resignation. Senate Republican leader Howard H. Baker Jr. of Tennessee said he would support whatever decision Goldwater made.

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NEW YORK TIMES  
30 JULY 1981

## Senate Panel Unanimously Finds Casey Fit to Be Director of C.I.A.

By JUDITH MILLER

Special to The New York Times

WASHINGTON, July 29 — The Senate Select Committee on Intelligence announced today that it had found no basis for concluding that William J. Casey was unfit to serve as the Director of Central Intelligence. The judgment was unanimous.

At the same time, Senator Barry Goldwater, Republican of Arizona, chairman of the Senate panel, said that the committee's staff inquiry would continue and that the panel would issue a public report on Mr. Casey's financial activities and on his appointment of Max C. Hugel to head the agency's clandestine operations.

The announcement today came in the wake of a flurry of allegations and calls for Mr. Casey's resignation, touched off by the forced resignation two weeks ago of Mr. Hugel, who was accused of being involved in improper financial practices. Mr. Hugel denied the charges. The announcement seemed to indicate that the committee had decided to stand by Mr. Casey unless new, damaging information emerged from the committee inquiry.

After the panel's five-hour closed meeting with Mr. Casey, Senator Goldwater and Senator Daniel Patrick Moynihan, Democrat of New York, the panel's vice chairman, descended from the fourth floor of the Capitol to read a terse statement.

"Based upon the staff review to date, and Mr. Casey's lengthy testimony today," Mr. Goldwater announced, "it is the unanimous judgment of the committee that no basis has been found for concluding that Mr. Casey is unfit to serve as D.C.I."

"The staff will follow up on points that need clarification," Mr. Goldwater continued. "There will be, in timely fashion,

ion, a final report dealing with the issues concerning Mr. Casey's past activities and also with the appointment of Mr. Hugel."

Mr. Casey, who testified under oath, left the Capitol quickly after the hearing, without responding to the questions of reporters.

When asked whether the committee had meant to give Mr. Casey a "clean bill of health," Mr. Moynihan said, "We have said no more or no less than is in our statement."

Pressed as to whether the continuing staff inquiry could alter the committee's judgment today, Mr. Moynihan responded, "There's a chance that could happen."

He said that the panel's Democrats would soon appoint a minority counsel to assist Fred D. Thompson, the Republican counsel, in the committee inquiry.

However, Mr. Moynihan pointed out that the committee had found nothing in its investigation "that could remotely suggest referral to the Department of Justice." And while he said that it was "entirely possible" that Mr. Casey could be called back for further questioning, the committee has not asked the C.I.A. Director to return.

Mr. Goldwater emerged from the session looking tired and, except for reading the committee's statement, said little.

### Moynihan Answers Questions

"I'm not going to answer any more questions," he told reporters, leaving Mr. Moynihan to respond to any queries. "I'm going home."

The announcement today reflected what several senators have acknowledged was a desire to end the episode as quickly as possible on one hand and to show that the committee was conducting a thorough investigation on the other.

Mr. Moynihan, for example, when asked whether he was satisfied with the investigation, said, "To date, yes."

However, one Democratic panel member, who asked not to be named, said that the committee had "put the cart before the horse."

"We heard from Mr. Casey before the staff had even finished its work," the Senator said.

### Agreement Among Senators

Nevertheless, most senators on the panel agreed today that the charges about Mr. Casey's previous financial activities and his appointment of Mr. Hugel had to be cleared up promptly.

Last week, Mr. Goldwater and two other key Senate Republicans called for Mr. Casey to step down, based on what Senator Goldwater called the bad judgment Mr. Casey had shown in hiring Mr. Hugel. The White House endorsed the Director but kept a cautious distance while news reports about Mr. Casey's financial activities appeared. A Federal judge ruled recently, for example, that in 1968 Mr. Casey and others had knowingly misled investors in Multiponics Inc., a New Orleans-based agribusiness concern.

Most panel members, however, vowed to wait until the staff had completed its investigation before deciding whether Mr. Casey should retain his post.

Mr. Casey consistently denied any misconduct, and late last week he began a series of personal visits with committee members to convince them that he should stay on.

In those meetings, according to Republicans and Democrats, Mr. Casey acknowledged that he and other top officials had spent too little time consulting with the panel, and he agreed to take other steps to allay the committee's concerns about his judgment and management of the C.I.A.

By yesterday, Mr. Casey seemed to be confident that he would retain his post. Several senators announced that the staff investigation had revealed no impropriety.

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LOS ANGELES TIMES  
30 July 1981

## Casey Should Keep CIA Post, Panel Decides

By ROBERT L. JACKSON  
*Times Staff Writer*

WASHINGTON — The Senate Intelligence Committee concluded unanimously Wednesday that William J. Casey should continue to serve as director of the Central Intelligence Agency.

Shortly after the committee's action, President Reagan told reporters, "I'm not surprised." At a White House briefing after his tax bill victory, Reagan said of Casey, "We knew that those first wild charges and accusations had no substantiation behind them."

The committee wrote a surprisingly swift climax to what many had believed would be a major congressional investigation. On Monday, the panel had announced the appointment of former-Watergate investigator Fred D. Thompson as its special counsel for the Casey probe.

But after only five hours of closed-door testimony, committee Chairman Barry Goldwater (R-Ariz.) said, "It is the unanimous judgment of the committee that no basis has been found for concluding that Mr. Casey is unfit to serve as DCI (director of central intelligence)."

Goldwater added, however, that the committee staff "will follow up on points that need clarification." Referring to these as "some of the loose ends," Goldwater said he hoped a final committee report would be ready in two to three weeks.

Casey had arrived for the hearing, appearing confident and even feisty. "It's going to be a cakewalk," he remarked to reporters.

In giving its swift blessing to Casey, the Republican-controlled

committee capped the biggest day Reagan has enjoyed in his relations with Congress since he entered the White House six months ago.

The committee's unanimous vote for the President's old friend and election campaign manager was announced by Goldwater on the Senate side of the Capitol as the Democratic-controlled House was handing the President a victory on his tax bill by a surprisingly wide margin.

Republican sources on the committee said Goldwater overreacted a week ago when he called on Casey to resign. Goldwater's call came before he had sufficient data about Casey's past business dealings, and it led other Republicans to believe

Goldwater had knowledge of additional damaging information, which he apparently did not, these Republican sources said.

Goldwater answered only two questions Wednesday after reading the committee's statement to reporters and then said, "I'm going home." The questions dealt with what Thompson and his staff would do, now. Goldwater said, without elaboration, that they "will chase down some of the loose ends."

Last Friday Casey's job seemed to hang in the balance as two other influential Republicans — Assistant Majority Leader Ted Stevens of Alaska and Sen. William V. Roth Jr. of Delaware — urged Casey to quit as head of the CIA.

## RADIO TV REPORTS, INC.

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4701 WILLARD AVENUE, CHEVY CHASE, MARYLAND 20015 656-4068

FOR PUBLIC AFFAIRS STAFF

PROGRAM Senator Barry Goldwater STATION WRC Radio

DATE July 30, 1981 7:20 AM CITY Washington, DC

SUBJECT William Casey

KEN ALVORD: Senator, can't resist asking you about the pronouncement out of your Senate Intelligence Committee yesterday on CIA Director William Casey. I know you'd indicated earlier that you still had some reservations but you were willing to go along with the will of the committee. Now we have a unanimous voting saying for the moment that he is, according to what you all have heard, fit to stay on the job. Does that include the judgment factor that you and I have talked about in connection with the Hugel case?

SENATOR BARRY GOLDWATER: Yes, he satisfied all of us. He admitted that he'd made a mistake. He outlined the mistake in detail -- Hugel -- and it cleared up the question in my mind. And had he got me on the phone the day that he did it, then there wouldn't have been any question.

ALVORD: Well, Senator, I understand the investigation, nevertheless, [is] continuing. What are you doing, wrapping up loose ends?

SENATOR GOLDWATER: Oh, there must be eight or ten different business deals that members -- different members of the committee wanted a few more answers to. But having been in business myself, there's nothing more to look for or look at but we're going to continue maybe for another two weeks or so, just to find out what there might be that we didn't get into yesterday.

ALVORD: Okay. Thank you, Senator.



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29 July 1981

# LETTERS TO THE EDITOR

## *In Defense of Mr. Casey*

"Verdict first, trial afterwards," is the mad Alice in Wonderland process now afflicting an able veteran official with a distinguished public service record. William Casey is almost at the point of being forced to resign as director of central intelligence without any serious evidence surfacing to justify the pressure on him.

Mysteriously, the congressional gossip circuit and the speculative journalists have floated stories, repeating earlier unproved and rather vague allegations of shady business practices by Mr. Casey when he was a private citizen. Several ordinarily sensible senators have jumped to the conclusion that Mr. Casey should step down.

The statements about Mr. Casey's conduct of business affairs deal with fact, and these ought to be examined judiciously. Regrettably, the situation has become muddled by another accusation: that Mr. Casey made a bad decision in appointing a businessman, Max Hugel, as one of his deputies instead of an experienced professional intelligence officer. Many of Mr. Casey's friends criticized this choice, although he offered logical administrative arguments. In any case, Mr. Hugel

has gone. That incident is closed, and it is hard to see why one dubious appointment is grounds for removal.

President Reagan evidently still has confidence in Mr. Casey. Therefore, unless something new and shameful comes to light, William Casey should remain at the job that his World War II OSS experience and his subsequent service on the president's foreign intelligence advisory board eminently prepared him for.

If character assassination by unsubstantiated congressional and media comments topples an experienced, respected official prior to a responsible examination of the evidence, every public servant becomes vulnerable. Furthermore, an agency like the CIA, which everyone agrees needs sensitive rebuilding of morale and competence after six bad years, can be disrupted by a sabotage campaign of innuendo against anyone appointed to be its chief.

RAY S. CLINE

Arlington

*The writer was formerly deputy director of intelligence at the CIA.*

# Goldwater drops call for Casey to quit CIA

By JOSEPH VOLZ

Washington (News Bureau)—Sen. Barry Goldwater, whose call for CIA Director William J. Casey's resignation created a furor last week, backed off yesterday. He said the decision on Casey's future at the spy agency was for President Reagan to make.

"The President has pretty much usurped anything I might think," Goldwater said as he emerged from a three-hour, closed-door meeting of the Senate Intelligence Committee. The committee, which Goldwater chairs, met to discuss a preliminary report by the staff on its investigation into Casey's tangled private business affairs and his management of the CIA.

Goldwater did not explain his change of position on his suggestion that Casey leave the intelligence agency. Last week, the outspoken Arizona Republican said that Casey had been so indiscreet and had used such bad judgment in hiring New Hampshire businessman Max Hugel as the CIA's deputy director for operations that he should quit or President Reagan should fire him.

The President has continued to say he has full confidence in Casey. Reagan's chief of staff, James Baker, said yesterday that he does not believe the President made a mistake in naming Casey to the CIA, "barring something appearing that has not yet appeared that we don't know about."

"THE ADMINISTRATION, of course, recognizes Congress' constitutional oversight responsibilities and will cooperate with the Congress in any oversight hearing," Baker told an interviewer.

"At the same time, the President has made it clear that he has seen nothing so far that would cause him to change his mind about Bill Casey and that he continues to support Bill Casey."

Both Goldwater and the Intelligence Committee's vice chairman, Sen. Daniel Patrick Moynihan (D-N.Y.), insisted that the inquiry into the CIA chief's financial affairs should be completed swiftly and wrapped up within 10 days.

"A major concern is that we want this done in time so that it will not disrupt the intelligence community," said Moynihan.

Goldwater said Casey would appear today before a closed session of the Intelligence Committee. He said Casey would not testify publicly.

The embattled intelligence chief spoke out in defense of Hugel Monday for the first time since Hugel resigned under fire two weeks ago. Casey told a mass meeting of CIA employees at the agency's headquarters in Langley, Va., that despite his appointment of Hugel as CIA deputy director for operations—in effect, the agency's spymaster—he never meant for Hugel to run the operations side at all.

INSTEAD, CASEY SAID, he envisioned the inexperienced Hugel as more of "an innovator and creator," with the actual work of directing spy operations left to CIA career officers.

The controversy over Casey's future began with the resignation of Hugel after two former business associates accused him of improper business dealings.

Casey said Monday that his choice of Hugel for the job had not been a casual decision. He said he consulted other agency officials, who agreed that Hugel would be a good choice provided he was not involved in the actual running of covert operations.

When Hugel, who was active in the Reagan presidential campaign last fall, first came aboard at the CIA in January, he was an executive assistant to Casey. Casey did not explain why Hugel was promoted to the deputy directorship.

While he has said in the past that he was impressed by Hugel's "management talents," he made no mention of that yesterday.



WALL STREET JOURNAL  
29 July 1981

## CIA's Casey to Face Senate Panel Today; Staff's Report Isn't Viewed as Damaging

By GERALD F. SEIB

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — CIA Director William Casey today gets his first chance to respond personally to his critics on the Senate Intelligence Committee.

Mr. Casey will testify at a closed-door committee session this morning. He was invited after the panel yesterday discussed a preliminary staff report on Mr. Casey's business dealings and his hiring of Reagan campaign aide Max Hugel as director of the Central Intelligence Agency's spy operations.

Late yesterday, Senate sources were speculating that Mr. Casey would survive the inquiry. Two Senators on the panel said the preliminary report didn't lead them to believe Mr. Casey should resign. Although Senate sources wouldn't rule out the possibility that the committee would recommend Mr. Casey's ouster, they said it appeared less likely than a few days ago.

Sen. Richard Lugar (R., Ind.) a panel member, released a statement indicating that the preliminary report didn't disclose substantial new information about Mr. Casey's business dealings. The Senator said financial activities discussed in the report had been investigated when Mr. Casey was nominated for earlier government jobs. "New details don't suggest character defects or unfitness to serve as director of the CIA," Sen. Lugar said.

The Senator's statement added, however, that the committee will question Mr. Casey today on "new allegations." Aides said he was referring to reports about some of Mr. Casey's other business activities, which weren't dealt with in written questions he answered earlier.

Another committee member, Sen. Lloyd Bentsen (D., Texas), also released a statement saying the report didn't contain any damaging new information. "I have yet to hear or see any credible evidence that would lead me to believe Mr. Casey should resign," Sen. Bentsen said. He added that he dislikes "this rush to judgment that could wind up convicting a man and dismissing him before he's had a fair hearing."

The committee's staff will conduct a more thorough investigation before making a final report on Mr. Casey. The panel hopes the inquiry will be done "within the next 10 days to two weeks," said Barry Goldwater, chairman, after yesterday's meeting. The Arizona Republican later indicated, though, that the investigation could last slightly longer.

Staffers are delving into previous background checks on Mr. Casey by the Federal Bureau of Investigation, as well as 10 volumes of documents the CIA chief provided to the panel. The inquiry focuses on Mr. Casey's role as a director of Multiponics Inc., a failed agricultural concern, and on his controversial hiring of Mr. Hugel.

Mr. Casey drew heavy fire earlier this year by placing Mr. Hugel, a businessman without any experience in intelligence, in one of the CIA's most sensitive posts. Mr. Hugel was forced to resign when former business associates accused him of improper and possibly illegal financial dealings. Mr. Hugel has denied wrongdoing.

The committee is examining why CIA security checks didn't disclose Mr. Hugel's questionable dealings. Some lawmakers are concerned that Mr. Casey may have pushed through Mr. Hugel's appointment so quickly that a proper check of his background wasn't possible.

In addition, lawmakers are concerned by a federal judge's recent ruling in New York that Mr. Casey and other Multiponics directors knew a stock offering circular from the company was misleading.

The combination of the Hugel and Multiponics disclosures has led some prominent Senators to ask Mr. Casey to resign. Sen. Goldwater last week said the Hugel episode demonstrated such poor judgment that Mr. Casey should consider quitting.

But yesterday, Mr. Goldwater declined to repeat his call for Mr. Casey's resignation. "The President has said Mr. Casey is going to continue, and Mr. Casey is a creature of the President," the Senator said. "It isn't up to us."

Sen. Goldwater said that at the meeting today, Mr. Casey will be given a new "list of questions." He wouldn't discuss what they will be.

Even if the staff's thorough inquiry doesn't find any damaging new allegations, the aides said, some panel members still could seek to replace Mr. Casey because of uneasiness about his controversial background and job performance. "I think the bottom line is his judgment and whether people can trust him," one aide said.

## Casey Summoned to Testify to Senate Panel Today

By JUDITH MILLER

Special to The New York Times

WASHINGTON, July 28 — The Senate Select Committee on Intelligence announced today that it had called William J. Casey, Director of Central Intelligence, to testify tomorrow in a closed session about his previous financial dealings and his management of the Central Intelligence Agency.

After a secret three-hour meeting, Senator Barry Goldwater of Arizona, chairman of the committee, also said that the staff would conduct "further investigations" and that the inquiry could last two weeks.

Mr. Goldwater, whose statement last week that Mr. Casey should consider quitting touched off the current staff investigation, made no such suggestion today. Instead, he noted that President Reagan was still supporting Mr. Casey, his former campaign chairman.

"Mr. Casey is a creature of the President," Mr. Goldwater said. "And the President has pretty much usurped anything I might think or say or do."

### Continued Personal Calls

Meanwhile, Mr. Casey continued his personal calls to members of the Intelligence Committee. After one of the sessions, Mr. Casey told reporters that tomorrow he would answer "any question anybody wants to ask," referring to the committee.

"My life is an open book," he said. "I'm ready to discuss any phase of it."

According to one Senate source, who asked not to be identified, Mr. Goldwater was even more emphatic in concluding that the investigation so far had not disclosed damaging information about Mr. Casey's business activities and told his colleagues, "It is my personal opinion that the initial charges against Mr. Casey have been scrubbed."

At least three committee members issued similar statements today, attesting to the growing mood of caution that has followed calls for Mr. Casey's resignation last week by three key Senate Republicans.

Senator Lloyd Bentsen, Democrat of

Texas, said after the committee hearing that he had read the preliminary files on Mr. Casey's activities and had "yet to hear any credible evidence that would lead me to believe that Mr. Casey should resign."

"To this point, they haven't laid a glove on him," Mr. Bentsen said.

Senator Jake Garn, Republican of Utah, agreed, saying, "So far, there's nothing to it."

Mr. Garn said the committee had spent most of its session reviewing a court decision holding that Mr. Casey and others had knowingly misled investors in 1968 in an investment offering in Multiponics Inc., an agribusiness concern.

"When I was Mayor of Salt Lake, I was sued all the time," Mr. Garn said. "It just doesn't mean very much."

### Leahy Voices Caution

Even Senator Patrick J. Leahy, Democrat of Vermont, a committee member who has expressed concern about Mr. Casey's management of the agency, said today that the 68-year-old Director should not resign "while this investigation is pending."

"To date, I haven't seen anything major, significant, or different," he said of the inquiry.

Mr. Leahy said that his meeting with Mr. Casey had "allayed" many of his concerns about whether Mr. Casey would provide the kind of leadership and professionalism the agency requires.

He said in an interview that he had discussed his dissatisfaction, for example, with the agency's reporting on the Israeli air strike last month against Iraq's nuclear reactor.

Senator Richard G. Lugar, Republican of Indiana, agreed with Mr. Leahy's assessment. He said that "the real problem is a relationship problem Bill Casey has with the committee," rather than his financial dealings.

"And Mr. Casey is rapidly bridging that gap," Mr. Lugar said.

### Questions About Hugel

Another member of the committee, however, who asked not to be quoted by name, said that while Mr. Casey seemed to be overcoming questions about his financial transactions, many on the panel were still troubled by the judgment Mr. Casey showed in appointing Max C. Hugel, a former campaign aide with little experience in intelligence, to head the agency's clandestine services. Mr. Hugel was forced to resign as a result of accusations, which he denied, resulting from a financial scandal.

WASHINGTON POST  
29 July 1981

# Casey Gains In Effort To Keep Job

## Three Senators See No Need to Oust Director of CIA

By George Lardner Jr.  
Washington Post Staff Writer

CIA Director William J. Casey appeared to be gaining yesterday in his fight to keep his job as he steered his way through Senate offices with an increasing air of confidence.

Casey will testify in closed session before the Senate Intelligence Committee today, but the allegations presented to the committee in an executive session yesterday morning evidently contained no surprises.

Sen. Richard J. Lugar (R-Ind.) said that the briefing, "as far as I'm concerned, laid to rest all of the previous questions about Mr. Casey's business deals."

Lugar suggested that the CIA director's appearance today would be somewhat anticlimactic, "just an opportunity for Mr. Casey to state on the record his defense."

Two other Senate committee members also indicated, after visits from Casey yesterday afternoon, that they saw no reason at this point for him to resign.

"To this point, they haven't laid a glove on him," Sen. Lloyd Bentsen (D-Tex.) said of the preliminary report the committee's staff has compiled since the inquiry into Casey's activities began July 17.

"I have yet to hear or see any credible evidence that would lead me to believe Mr. Casey should resign," Bentsen declared.

The investigation, primarily into Casey's business activities, was triggered by the quick resignation two weeks ago of his chief of covert operations, Max Hugel, following disclosure of alleged financial improprieties on Hugel's part.



Casey and Sen. Lloyd Bentsen (D-Tex.), who says "they haven't laid a glove on him." United Press International

The CIA director denied any misconduct, but seemed to be on the verge of a forced departure last week when Senate Intelligence Committee Chairman Barry Goldwater (R-Ariz.) said publicly that he thought the poor judgment Casey showed in having insisted on Hugel's appointment was cause enough for him to resign.

Most other committee members balked at that standard and said they would wait to see if the committee's investigation turned up proof of previously unsuspected misconduct in Casey's long private and public careers.

The CIA director told reporters yesterday he was sure nothing would turn up. For Casey, it was a day full of cliches and good cheer. He said, "Hundreds of reporters have been calling my friends and [former] clients" in recent days, but to no avail.

"The bottom of the barrel has been scraped," Casey declared in a crowded hallway press conference outside Bentsen's office. "There's nothing there."

Was he concerned about any of the allegations that he might be questioned about in his forthcoming appearance before the Senate Intelligence Committee?

"You know, fellas, I'm not concerned about anything," he replied. "My life is an open book. I'm ready to discuss any phase of it — but not here, not at this time."

From there, he hurried upstairs for what proved to be a much longer session with Sen. Patrick J. Leahy (D-Vt.). Last week Leahy had reportedly been planning to call for Casey's resignation himself, but yesterday afternoon he said he would do so only if "allegations of wrongdoing" were made and sustained.

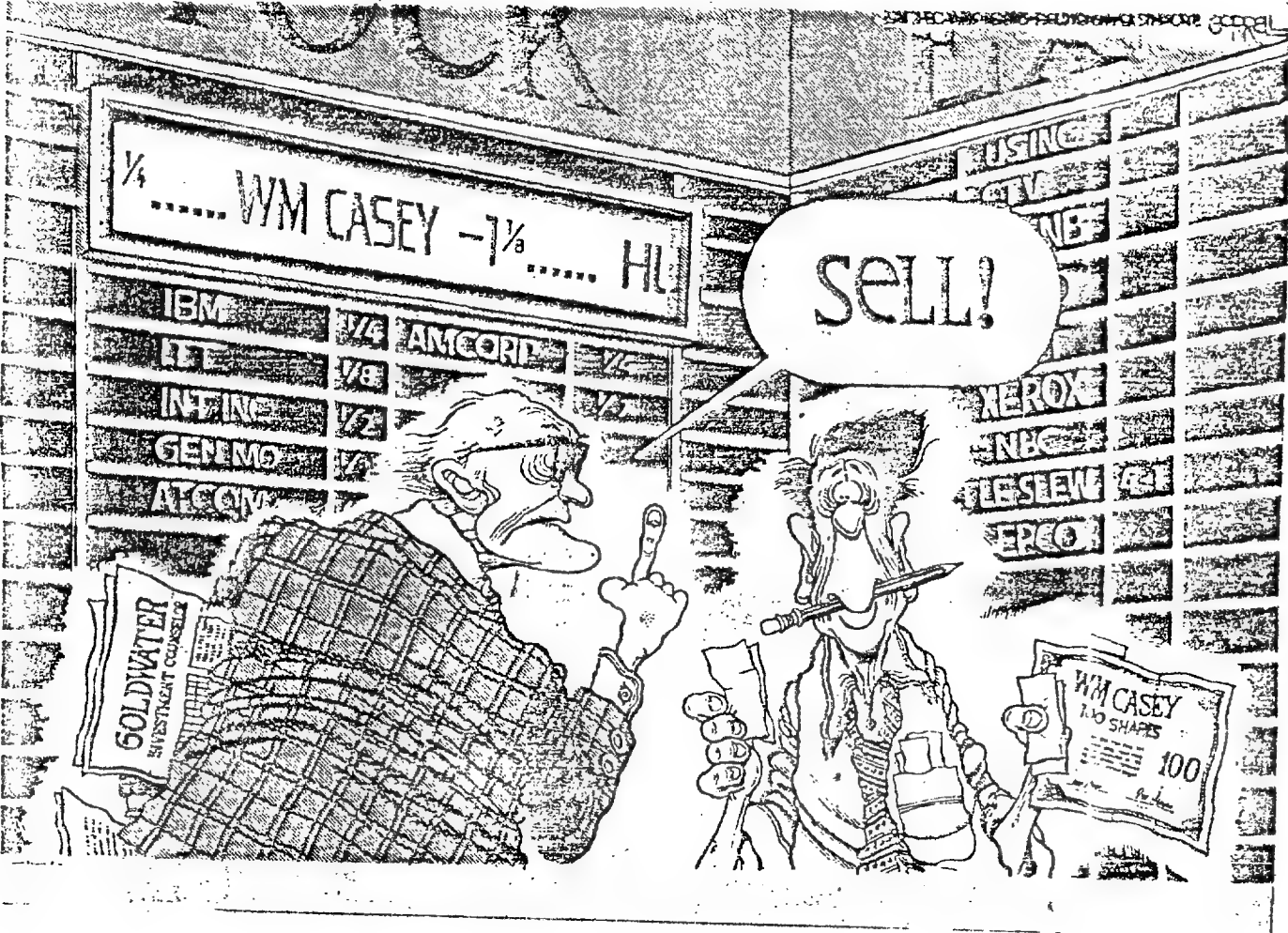
Leahy also told reporters that there were not even any charges currently under investigation concerning Casey that would justify his ouster, even if confirmed.

"Maybe it was bad judgment, but I just don't believe they could turn me out for this," Casey himself was quoted as telling Washington Star columnist Mary McGrory about the Hugel appointment. "The only thing that could get me was if I can't deal with the committee after this."

Goldwater, meanwhile, was holding his fire. Asked at a hectic conference in the din of the tourist-filled Capitol crypt whether he continues to feel that Casey should resign, he simply took note of the fact that President Reagan is still backing the CIA director.



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LOS ANGELES TIMES  
29 JULY 1981

## Casey Defends His High-Risk Investments

By ROBERT L. JACKSON  
and JOHN H. AVERILL,  
*Times Staff Writers*

WASHINGTON—In a staunch defense of his past business activities, CIA Director William J. Casey has told Senate investigators that he invested in high-risk, controversial ventures but kept them totally separate from his public life.

Casey said in a statement to the Senate Intelligence Committee that he has concerned about publicity generated by lawsuits against him because of such investments.

And, he said, "I do not believe that it should in any way affect my qualifications for the office I now hold."

Casey's nine-page statement, the keystone in a package of court documents and financial records he gave to the committee Sunday, was his first substantive comment on allegations that have been swirling around him for two weeks. A copy of the statement was obtained by The Times.

The statement is expected to form the basis of much of Casey's testimony today before the committee which is investigating the allegations.

"This has been a difficult experience for me and I know for some of you," Casey said in the statement. "I have become a media event without reason."

Casey is expected to be questioned by the committee about his

judgment in hiring a businessman friend, Max Hugel, as the CIA's chief of clandestine services. Hugel resigned two weeks ago amid charges that he had been involved in improper stock deals.

It was subsequently revealed that Casey, who is a former chairman of the Securities and Exchange Commission, was himself criticized in two federal court rulings as a past director of Multiponics Inc., an agricultural venture.

Casey has said he would be glad to talk to the committee about Multiponics, the Hugel matter and his other business ventures.

### Notes Government Service

In his statement to the committee, Casey said he disclosed all relevant facts of his business life to the Senate before holding three high government posts.

"I have always believed in risk capital undertakings," he said of his investments. "Ventures of this kind have gone a long way in making our capital market system the great institution it is."

Referring to his previous public service as chairman of the SEC and under secretary of state for economic affairs, Casey said:

"This nation has been good to me and I recognize a responsibility to it, as well as to reap the benefits of the many opportunities it has provided me."

Meanwhile, Sen. Barry Goldwater (R-Ariz.) the Senate committee chairman, muted his opposition to Casey.

Goldwater, who last week publicly called on Casey to resign as head of the CIA, was asked Tuesday if he still felt that way.

"He's a creature of the President and the President has pretty much usurped anything I might think or say or do," Goldwater said after a meeting of his committee.

Casey's statement appealed to the senators for their support.

"I am sure that, with your patience and support, this period will soon be behind us and that we jointly can turn our energies in the months ahead to strengthening this country's intelligence capabilities," he said.

### Lost His Investment

Referring to his directorship with Multiponics, Casey said: "There is no evidence in the case, nor could there be, that I intentionally misled anyone for personal gain. I lost my investment of some \$145,000, as well as certain other moneys I put in the venture."

According to the court rulings, which came to light recently in New York and New Orleans, Casey and other directors engaged in a pattern of "self-interest" in running the now-defunct Multiponics firm and concealed information from other stockholders.

THE BALTIMORE SUN  
29 July 1981

# An Infatuation with Surliness

By Garry Wills

IN THE EARLY DAYS of his administration, Richard Nixon had an innocent crush on John Mitchell's toughness. At meetings, he sat in awe as Mitchell growled blunt advice at him. Nixon had promised, throughout his campaign, to give the country a new attorney general—a slap at Ramsey Clark, who had finally taught police restraint in the handling of riots.

John Mitchell was the epitome of tough in Nixon's world; so off he went to the Justice Department. He quickly became our worst attorney general since A. Mitchell Palmer. Illegal arrests and indictments obtained on illegally gained evidence were his trademarks. His prosecutions were unsuccessful. He presided while the White House undertook its own illegalities. He stonewalled when his dealings with people like G. Gordon Liddy came to light. In the end, having failed to put the demonstrators away, he went off to the cooler himself.

That is the story of people who think "tough talk" is the way to conduct investigations and enforce the law. The infatuation with surliness exists in pseudo-tough people like Nixon, and clearly affects Ronald Reagan. After all, he appointed William Casey to the CIA, and Mr. Casey is becoming this administration's John Mitchell.

Mitchell impressed Nixon with the wit that is memorialized in his threat to the *Washington Post*—that one of its publisher's mammaries would be engaged in a wringer. Mr. Casey likes that kind of talk, too. No wonder he was impressed by Max Hugel—whose way of collecting money, we now know from tape recorded conversations, is to suggest bluntly that the debtor will look funny hanging upside down by his testicles.

Nixon wanted Mitchell to restore the Justice Department to tough law enforcement. Mr. Reagan wants Mr. Casey to restore the CIA to its good

old days of assassinations and such. Mr. Casey turned to a "can do" man to fulfill this mandate. He turned to Mr. Hugel, full of bluster and self-promotion, who came recommended by William Loeb of the *Manchester (N.H.) Union-Leader*. His credentials were all in his mouth, and nowhere else—but that was enough for Mr. Casey.

A man who could not see through Max Hugel's blowhard self-promotion is hardly one to estimate the bluffs and counterbluffs of the worldwide intelligence game. Mr. Hugel boasts in his autobiography (a document for which there is no demand if there ever was one) that he cheated the United States government, that he sold faulty used cars on a grand scale, that he lied and bluffed his way to wealth. He should have never been given a position in the CIA—yet Mr. Casey gave him the most sensitive post he could, as director of our spies, at the center of our secrets. The judgment that could put that man in that place is self-disqualifying on the face of it.

When Mr. Hugel's resignation was handed in, it should have been accompanied by Mr. Casey's. But toughing it out is what the Caseys and Mitchells in this world feel born to do—and if Mr. Casey gets away with it, he will just help Mr. Reagan's administration go deeper into trouble, as Mitchell helped Nixon's administration down its path to destruction. And Mr. Casey's judgment of people already has been challenged in another area—his recommendation as Irish ambassador of a man who refused to testify on his business dealings with the Teamsters.

The Reagan administration boasted, for a day, that it solved its Hugel problem more expeditiously than President Carter had solved his Bert Lance problem. But Mr. Hugel was not the problem. Mr. Casey is. And he is being given the Bert Lance Mitchell treatment.

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WASHINGTON STAR (GREEN LINE)  
29 JULY 1981

## CIA's Casey Meets With Hill Probers

By Roberta Hornig  
Washington Star Staff Writer

Embattled CIA Director William J. Casey emerged unscathed yesterday from the first round of a Senate inquiry into his job qualifications.

After meeting with several members of the Senate Intelligence Committee, Casey said he was confident about his future. Casey, who goes before the full committee today, also won several votes of confidence from senators he met with — at least as far as his questioned business dealings are concerned.

"I always felt, I still feel confident," Casey said. "The bottom of the barrel was reached, and there was nothing there."

Sen. Lloyd Bentsen, D-Texas, one of the members who met with Casey, told reporters he has read the preliminary files on the CIA director's business dealings as well as the committee staff's preliminary report.

"I have yet to hear or see any credible evidence that would lead me to believe, Mr. Casey, should resign,"

said Bentsen. "To this point, they haven't laid a glove on him."

Sen. Patrick Leahy, D-Vt., another member who met with Casey, acknowledged that the preliminary staff investigations had shown no wrongdoing on his part. He said the only questions concerned matters of judgment — particularly Casey's hiring of Max Hugel, the CIA spymaster who resigned last week after former business associates accused him of questionable stock market practices. Hugel denied the charges.

The resignation brought attention to Casey's own business dealings and accusations that he had himself engaged in questionable practices and failed to fully disclose information during Senate confirmation hearings.

An exuberant Casey said yesterday he had received "numerous expressions" from friends and former clients "all over the country" who had rushed to his support.

"You know, fellas, I'm not concerned about anything. My life is an open book," Casey said. "I'm willing to discuss anything. ... but not at this time."

Queried about whether his job ef-

fectiveness had been destroyed by the Hugel affair and questions about his business dealings, Casey said he was reassured by a meeting he held with CIA employees on Monday.

"I think everybody's spirit is high, and we're all looking forward to going back to work," he said.

Another panel member, Sen. Richard Lugar, R-Ind., also met with Casey and afterward issued a statement saying that any of the business disputes with which Casey was involved have already been covered.

"New details do not suggest character defects or unfitness to serve as director of the CIA," Lugar said.

Even Sen. Barry Goldwater, R-Ariz., who had called for Casey's resignation last week, appeared to have softened his stance somewhat.

After hearing the staff report of the intelligence committee, which he heads, Goldwater indicated some doubt about the ability of Congress to force Casey's resignation.

Asked if he still believed Casey should be fired, Goldwater said: "No, the president has said that Mr. Casey is going to continue and that Mr. Casey is a creature of the president. It's not up to us."

GOLDEN CITY NEWSDAY (NY)

29 July 1981

# Casey Should Not Be CIA Director

By Michael Dorman

Much of the controversy surrounding CIA Director William J. Casey's current difficulty has become so bogged down in minutiae that it ignores an essential element: Casey has a checkered reputation in legal, political and business circles that should long ago have disqualified him from public office—especially an office as sensitive as that of U.S. spymaster.

I first encountered Casey 21 years ago when I was a reporter and Casey was on leave from his Long Island law practice (his partner was former Republican National Chairman Leonard W. Hall) to serve in then-Vice President Richard Nixon's 1960 presidential campaign headquarters in Washington. At the time, Sen. John F. Kennedy (D-Mass.) was running a neck-and-neck race with Nixon, who was saying publicly his opponent's Catholicism should play no role in the race.

But various Nixon backers—including ultraconservative Dallas oilman H.L. Hunt—were papering the country with virulent anti-Catholic propaganda. A congressional committee launched an investigation of this propaganda. Some of it was traced from Hunt to a Manhasset printing company.

And who was listed as the incorporator of the company? William Casey. He claimed he had divested himself of his interest in the firm. The investigators accused the Republican-controlled Justice Department of foot-dragging in a criminal investigation of the affair.

Cornelius Wickersham Jr., a Republican stalwart then serving as U.S. attorney in New York, opined that cases arising in the heat of a campaign were best postponed until after Election Day. Once Kennedy defeated Nixon, the criminal investigation evaporated. Fortunately, so did Wickersham's tenure as a prosecutor. As for Casey, he slipped away without a glove grazing his chin—moving ever onward and upward in the ranks of wealthy, politically potent Nixon backers.

When Nixon was elected President in 1968, he ignored objections from the investing public and others complaining of numerous ethical transgressions by Casey and appointed his faithful campaign aide as chairman of the Securities and Exchange Commission. Congressional hearings on Casey's qualifications for the SEC post and during his tenure produced voluminous transcripts.

Enter Robert Vesco, whose connections with the Nixon administration again brought me into touch with Casey. In researching a 1975 book, "Vesco: The Infernal Money-Making Machine," I discovered (as would congressional investigators and federal prosecutors) that Casey had placed a series of obstacles in the path of SEC staffers following Vesco's trail of funny money.

Casey admitted as much from witness stands, but said he had merely been following orders relayed to him by that paragon of virtue, White House counsel John Dean. Once again, Casey slipped away virtually unsullied. And, when Ronald Reagan nominated his presidential campaign manager, Casey, for the CIA directorship, Casey actually told the Senate committee investigating his fitness for the job that he had been responsible for exposing Vesco.

The man had gall. As a low-road political operative, a master of deceptive business and legal machinations, I suppose he qualifies (by some arcane criteria) as a logical man to head the CIA.

Some have claimed that his World War II service in the Office of Strategic Services (OSS)—a forerunner of CIA—also qualified him for the CIA job. But, given the sophisticated nature of current espionage, mere service in the OSS 35 years ago—and of itself—hardly qualifies anyone to head the CIA.

I support the right of Reagan or any president to appoint personal and political cronies to certain offices if they have reasonably clean records. But I

*Given the sophisticated nature of current espionage, mere service in the OSS . . . hardly qualifies anyone to head the CIA.*

submit that the CIA is one agency that requires a professional at the top, and a professional of impeccable credentials at that.

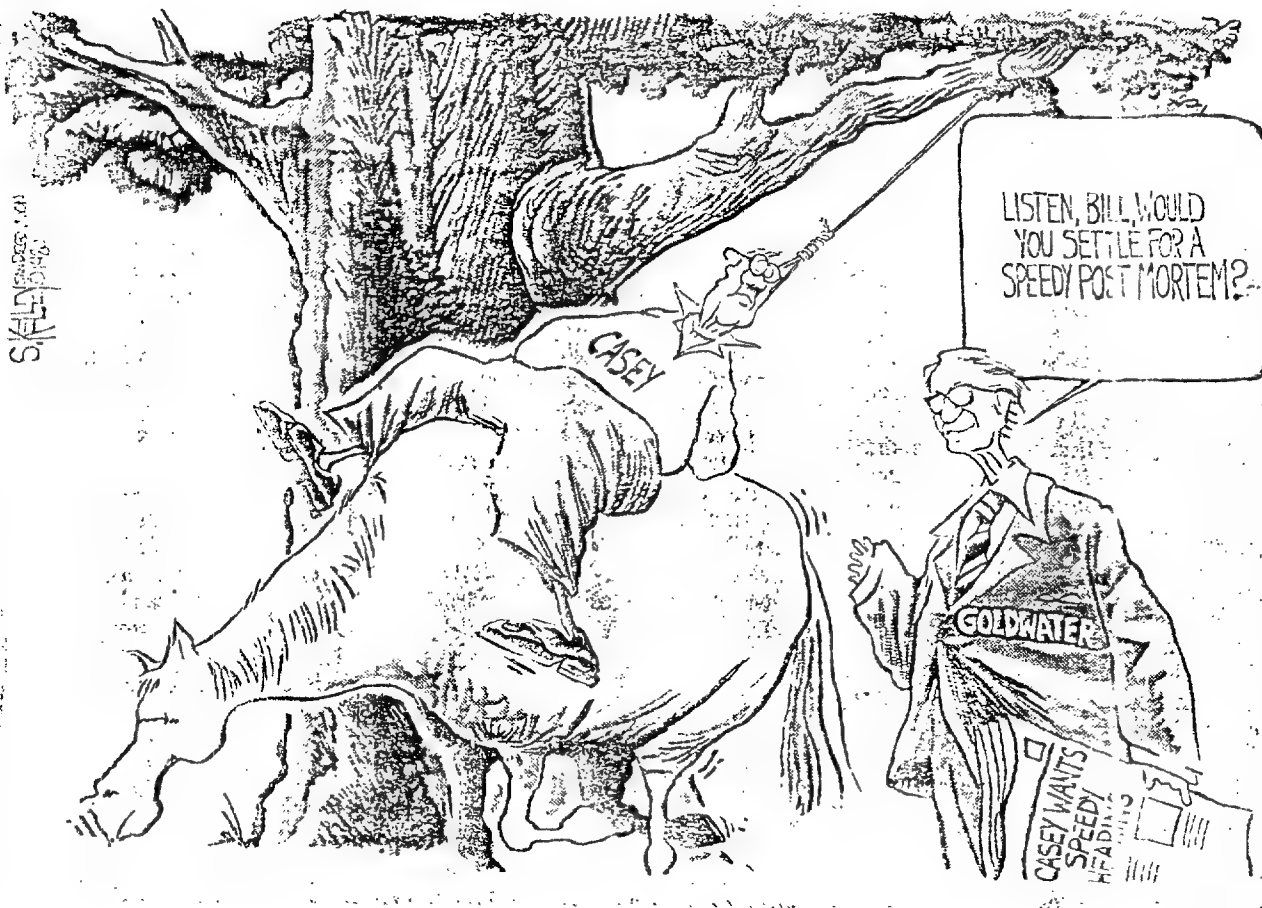
Casey is disqualified on both counts: never should have been appointed CIA director in the first place and should be retired to the comfortable precincts of law practice on Wall Street or Long Island at the earliest opportunity. Assuming bar associations follow their usual see-no-evil, hear-no-evil, speak-no-evil philosophies, he will be welcomed back into the legal fraternity's bosom as a none-too-prodigious son.

In the old days, campaign managers became postmasters general. All they could then foul up was the already abysmal mail service. Perhaps, following John Mitchell's service as attorney general and Casey's as CIA director, we should resume the practice.

*Michael Dorman of Dix Hills has written about William Casey's career in his book on Robert Vesco and in his most recent book, "Dirty Politics."*

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DAN DIEGO UNION (CA)  
29 JULY 1981



Approved For Release 2005/11/28 : CIA-RDP91-00901R000400160001-9

KANSAS CITY STAR (MO)  
29 JULY 1981

## Bad days for Casey and the spy agency

**W**illiam Casey is a man of many admirable qualities. Whether these add up to what the head of the Central Intelligence Agency should be is a question for Ronald Reagan to settle in his own mind, possibly with the help of the Senate Intelligence Committee's assistance.

Senator Goldwater's demand for Mr. Casey's resignation was premature. But Goldwater's voice is a powerful call from the tradition of Republican conservatism, and it is immensely damaging to Mr. Casey's cause. It is unfair, of course, but the strength of even unproven charges can wreak havoc when the target is connected with an agency as sensitive as the CIA. With the best possible answer to everything a point is reached when the central figure in the drama is so busy with self-defense he has no time for the task he was given. In Washington the power to investigate can be the power to destroy.

Before World War II American intelligence was from rudimentary to nonexistent, on something of a plane with our general military establishment in peacetime. Nothing approached the professional operations of the British, the Soviets and the Germans. What had been the wartime Office of Strategic Services eventually became the CIA, with some momentum built up from the lessons learned in the war and from the personnel with wartime experience in spy-

ing, sabotage and covert action.

In a democracy, an organization such as the CIA is going to be feared and suspected of nameless crimes. When its mistakes become public they often are spectacular, as in the Bay of Pigs, and many of its successes never are known. It is everybody's favorite scapegoat when things go wrong.

Over the years it has been described as a wild body of assassins, an Ivy-League elite of amateur manipulators playing games with the future of civilization, a dangerous super-government pulling strings and a pack of demon plotters concerned only with personal power. The public imagination is colored by popular spy stories, although some of the CIA people themselves have been colorful enough.

We need to remember that the CIA is a necessary organization hardly less important to the security of the United States than the Army and Navy. It is on our side. That doesn't mean it can be beyond executive control, or congressional overview. It is not a law unto itself.

Executive control and congressional overview are what is happening right now in the case of Mr. Casey. When it comes down to it, this is one of those things that call for the best judgment of the president, acting on the best information he can get. That is the most we can hope for and the least the public will expect.



THE BALTIMORE SUN  
29 July 1981

STAT

# Opposition to CIA chief Casey seems to ease after panel meets

By Curt Matthews  
Washington Bureau of The Sun

Washington—Opposition to William J. Casey as director of central intelligence appeared to ease slightly yesterday after members of the Senate Select Committee on Intelligence spent three hours reviewing the allegations against him.

Mr. Casey has been under pressure to resign because he placed a potential security risk, Max Hugel, in charge of clandestine operations at the CIA, and because he was involved in questionable stock transactions before his own appointment as head of the agency.

After yesterday's intelligence committee meeting, Senator Barry M. Goldwater (R, Ariz.), the chairman, said the decision to keep Mr. Casey in his job rests with President Reagan, not members of the Senate.

Mr. Goldwater, one of Mr. Casey's sharpest critics in recent days, did not restate his earlier insistence that Mr. Casey should step down.

Asked if he thought Mr. Casey would resign, Mr. Goldwater said: "No. The president has said that Mr. Casey is going to continue, and Mr. Casey is a creature of the president. ... It's not up to us."

He added that he thought Mr. Reagan "has the right to do what he wants."

Asked if he still thought, as he announced last Thursday at a late evening press conference, that the 58-year-old Mr. Casey should "retire," Mr. Goldwater said: "[Mr. Casey] is a creature of the president, and the president has pretty much usurped anything I say or do."

At the invitation of the intelligence committee, Mr. Casey will appear today in a closed session to explain his personal finances and the circumstances of the hiring of Mr. Hugel.

Mr. Goldwater said Mr. Casey was being given a list of questions well before the hearing, but the senator would not outline them publicly. Mr. Casey said he received the questions yesterday afternoon.

A committee source told the Associated Press that some of the latest questions concerned Mr. Casey's reported legal representation in 1977 of a New Jersey waste disposal system with alleged ties to organized crime.

The White House yesterday gave Mr. Casey another vote of confidence, carefully limiting it to the facts now known about the CIA director.

President Reagan's chief of staff, James A. Baker III, said, "The president has made it clear that he has seen nothing so far that would cause him to change his mind about Bill Casey, and that he continues to support Bill Casey."

It was the possibility of a scandal rooted in stock mar-

ket dealings that forced Mr. Hugel to resign abruptly on July 14. Critics of Mr. Casey say he should have checked Mr. Hugel's background more closely before insisting that he be given one of the most sensitive jobs in government.

Several members of the intelligence committee have indicated they are withholding judgment on Mr. Casey's role in the Hugel matter until they have heard the director's sworn testimony.

Senator Daniel P. Moynihan (D, N.Y.), the committee's ranking minority member, appeared with Mr. Goldwater after yesterday's session and restated his concern about the allegations against Mr. Casey. However, he is among a number of Democrats who have avoided a partisan confrontation over Mr. Casey pending further investigation.

Mr. Goldwater said it appeared that the intelligence committee's probe of Mr. Casey will go on at least a week and may extend into the month-long congressional recess that is due in early August.

If the probe is not concluded before the recess, Mr. Casey may operate under a cloud at the CIA until early September—a prospect not welcomed by him or by White House officials.

In the last few days, Mr. Casey has conducted a vigorous campaign to keep his job. He has been meeting privately with members of the intelligence committee, making his case before employees at the CIA and on Sunday gave the intelligence committee a 2-foot stack of documents relating to the allegations against him.

Commenting yesterday on the materials provided by Mr. Casey, Senator Richard G. Lugar (R, Ind.), a member of the committee, indicated they offered "new details" about Mr. Casey's business dealings.

Mr. Lugar would give no details of the materials, saying only that they do not suggest "character defects or unfitness to serve. ..."

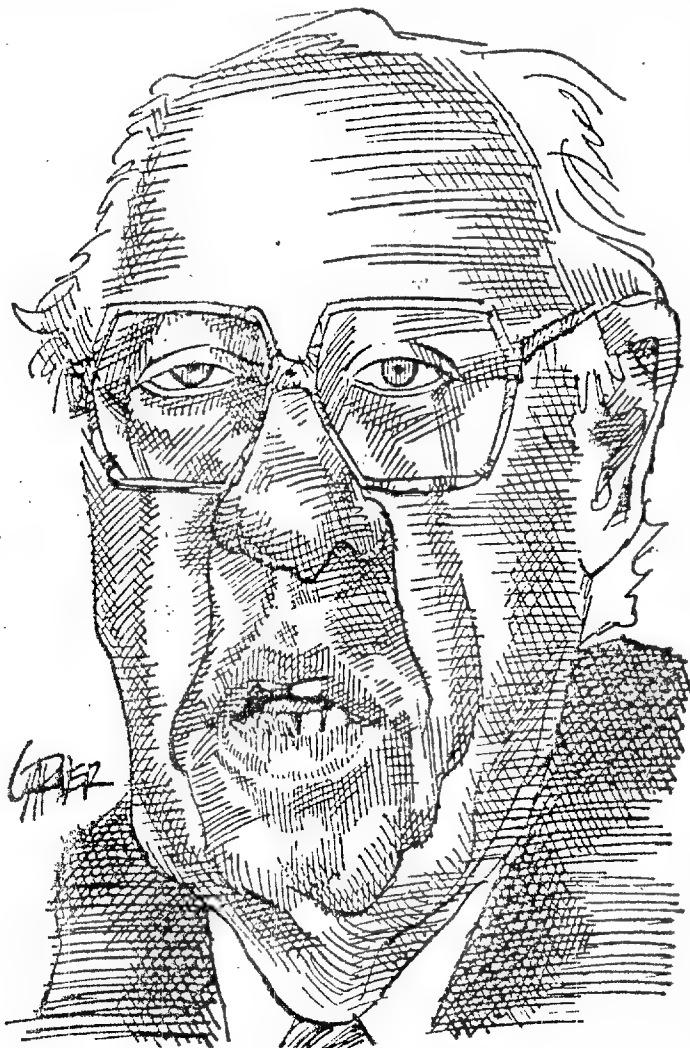
Various people who reviewed a report prepared by the intelligence committee staff from the materials provided by Mr. Casey say it deals primarily with issues that are already the focus of the controversy—Mr. Casey's involvement in a now defunct farming firm called Multiponics and the selection of Mr. Hugel for a job at the CIA.

Despite yesterday's indications that Mr. Casey may be able to weather the controversy that arose when Mr. Hugel resigned, at least three names of possible successors have been discussed by Republicans in Congress.

One is Adm. Daniel J. Murphy, chief of staff for Vice President Bush and a former intelligence officer. Another is Laurence Silberman, a San Francisco lawyer who served briefly as chief of the Reagan transition team at the CIA and also was deputy attorney general in the Nixon and Ford administrations. The third name being mentioned is Adm. Bobby R. Inman, deputy CIA director.

# Comment

CHARLES BARTLETT



Garner: '81 The Commercial Appeal. United Feature Syndicate

WILLIAM CASEY

## Goldwater's Outburst

The controversy over William Casey is another of those wretched episodes in which the hounds of hell seem to roam the city, tearing at reputations, spawning libels, intimidating the weak and causing the strong to weep at the damage to justice and responsible government.

This time Barry Goldwater turned the hounds loose. He lost the presidency in 1964 because voters saw him as a casual man inclined to shoot from the hip. But Arizonans kept him in the Senate because they liked his salty independence.

Now installed as chairman of the Senate intelligence committee, Goldwater has let fly at Casey in a clumsy, kangaroo-court fashion which is creating a chaos that can leave scars on the Reagan administration as disfiguring as those which Carter bore from the Bert Lance affair.

### Inspiring the Chorus

Goldwater has stumbled into promoting a public demonstration that the Reagan administration is far from compact and secure in its handling of issues unrelated to economy. His challenge of Casey has brought to life a Greek chorus of anonymous White House aides

who have, in their daily comments on the affair, conveyed jellyfish insights that are consistent only with the trend of battle.

The most glaring instance was a story in the Sunday New York Times which led off by quoting anonymous White House officials as saying that the "personal objections" of Republican senators to Casey might make it necessary for the CIA director to resign. This was followed by paragraphs in which the official spokesman, David Gergen, related that the White House inquiry had to date disclosed nothing to cause the president to lose faith in Casey and that Reagan was standing "firmly behind" him.

Assuming the reporter's pure motivations, his professional judgment apparently prompted him to attach greater significance to an anonymous tip that Casey would probably have to go than to Gergen's relay of the president's attitude. The reader is left to assume that the presidential aide who contradicted the president was highly-placed enough to seem more credible than the president.

This assumption is nourished by Newsweek's account of White House speculation on who will succeed Casey. Only a public relations pyromaniac would strike a match near the succession issue while the incumbent is still in place and the president "firmly behind" him.

### Unsafe Secrets

But the ravages of Goldwater's hounds reach even further. The integrity of the House and Senate intelligence committees, created to serve as secure repositories for secrets on which some men's lives depend (as does, in some cases, the nation's reputation) has been cracked by the assault against Casey.

True or false, the leaked reports of a CIA intention to weaken Col. Kadafi's hold on Libya will produce a broad spectrum of adverse consequences. It will render the Libyan leader almost invulnerable, revive the misgivings of foreign intelligence services in their dealings with Washington, and leave American intelligence officials aware that in a crunch, they cannot count on the discretion of legislators.

Episodes like this one take on frenzy like a savage war dance. People leak, lie and go public for their own reasons: Some senators personally dislike Casey; some White House aides resent his personal ties to the president; some have candidates for the job. But why did guileless Goldwater stir up this mess?

From all accounts the senator simply acted in a burst of indignation that Casey had made the mistake of naming a bumptious businessman, Max Hugel, as the agency's spymaster. Often profane and arrogant in his dealings, Hugel did nothing to ingratiate himself with his new associates.

But Casey had had the experience of commanding a large crew of unlikely businessmen in his OSS exertions during World War II. Many of them performed brilliantly. And there was widespread agreement within the agency that the lesson of Iran, where U.S. intelligence depended wholly on embassy sources, pointed to an urgent need to expand the network of agents who operate under private cover, mostly as businessmen. It was apparent that an official with a business background would be better at recruiting these new agents than a professional intelligence officer.

Even if Hugel was the wrong man in the wrong place, Goldwater had no rational motivation to take the issue into the public arena.

The Republicans are going to have to learn to handle this kind of thing discreetly or they will soon dissipate the confidence that they are qualified to manage the government.

CHRISTIAN SCIENCE MONITOR  
29 July 1981

# Why Congress really wants Casey to quit as CIA chief

By a staff writer of  
The Christian Science Monitor

New information has surfaced that explains why Congress is so deeply concerned about the judgment of William J. Casey, embattled director of the Central Intelligence Agency (CIA).

The information is that it was the government of relatively unstrategic Mauritania — and not that of oil-rich Libya — that Mr. Casey agreed to let the CIA try to destabilize by covert means.

Contrary to earlier reports, Casey did not agree to let the CIA try to overthrow the Libyan regime of the controversial Col. Muammar Qaddafi.

The public reason several members of the Congress (both from Senate and House) want Casey to resign is the allegation of questionable business practices. But the real reason, this newspaper and others have discovered, is his approval of the Mauritania plan.

This raised in congressional minds a question of judgment. Mauritania is not a place of major importance. Its population is 1.5 million, mostly illiterate. It recently went through a political coup as a result of which it shifted its association from Morocco, which is friendly to the United States, to Libya, which is unfriendly, although a major seller of high-grade oil.

It might be desirable to help out King Hassan of Morocco, who has both economic and political problems, but is it worth a serious US covert operation?

The Mauritania operation was devised by Max Hugel when he headed the Operations branch of CIA. Mr. Hugel resigned under pressure July 14 after disclosure of questionable business practices on his record. Congressional critics, including Sen. Barry Goldwater (R) of Arizona, think the original choice of Hugel to run the covert side of the CIA was itself a matter of poor judgment. The "Mauritania caper" was subsequently regarded as raising a further question about both Hugel's and Casey's judgment.

There have been allegations of another "destabilization" project for Libya with the overthrow of Colonel Qaddafi as the ultimate goal. Intelligence sources say that President Sadat of Egypt has frequently expressed the wish that he might have a friendly neighbor running the affairs of Libya. But, it is said, the CIA has consistently declined to have any part in an anti-Qaddafi operation.

Under existing law, clandestine operations aimed at foreign governments must be reported to the intelligence committees of House and Senate. Normally, this is a routine procedure — and normally there is no interference by the committees with the intended operation.

## Contrary to earlier reports, Casey did not agree to let the CIA try to overthrow Colonel Qaddafi.

But in the case of the Mauritania plan, members of the House committee considered it so questionable that they sent a letter of protest to the White House.

Knowledge of the affair has by now become general throughout Congress. It has added to the feeling that Casey not only showed bad judgment in his original appointment of Hugel, but also bad judgment in giving his approval to the Mauritania project.

In intelligence quarters the affair raises a different problem. The covert activities of the CIA have always been considered the primary concern of the executive branch of government. Congress has wanted to keep an eye on the matter, but it has been a watchful rather than an operational eye.

In effect, Congress now has vetoed the Mauritania project.

Is this to be a precedent for more direct congressional association with "operations"? Intelligence community specialists think such association by Congress in actual operations make secrecy virtually impossible, hence would almost wipe out that side of CIA work.

WASHINGTON POST  
29 July 1981*Rowland Evans  
And Robert Novak*

# The Posse After Casey

Sudden realization that CIA Director William J. Casey, Ronald Reagan's friend and campaign manager, could be run out of his job by the personal spite of an aging Republican patriot and lingering "old boy" animus at the Central Intelligence Agency belatedly spurred the Reagan posse to stop the lynching.

Not the burden of evidence but overt opposition from Sen. Barry Goldwater and covert sabotage from the gang at Langley had energized the Washington mob to string up Casey. A July 24 phone call to the White House from Senate Majority Leader Howard Baker that things had gone far enough, finally brought pleas of restraint from the president.

No Senate colleague dares accuse Goldwater, 72-year-old chairman of the Senate Intelligence Committee and one of the nation's most beloved partisan warriors. Nevertheless, the fact is that Goldwater's startling press conference July 23, ostensibly called to show support for Casey, started the demands for his resignation.

Taking the lead, Goldwater invited Democrats to step up to the plate and knock the stuffings out of Bill Casey. He also prepared Reagan's first major political embarrassment and set back the CIA's painful efforts to rehabilitate itself.

Goldwater's performance was rooted in his personal feeling that he knows more about the CIA than Casey will ever know.

That feeling grew when Casey's choice of an inexperienced Max Hugel to run the agency's cloak-and-dagger operations

**"Goldwater's performance was rooted in his feeling that he knows more about the CIA than Casey will ever know."**

blew up in Casey's face. It has been buttressed by frequent and expert testimony before the Intelligence Committee by Adm. Bobby Inman, deputy CIA director, contrasting favorably with Casey. Goldwater wants Inman to replace Casey.

Goldwater's activities on the Intelligence Committee have been on the baroque side: Last November, he "ordered" the secretary of the Senate to fire three Republican committee staffers who were asked to serve on Reagan's CIA transition team. Goldwater was taking the advice of his hand-picked committee aide, Earl Eisenhower, who, incorrectly told him it was unconstitutional for legislative aides to work on a transition team. A few days later, all three aides were reinstated in their jobs, and Eisenhower was ousted.

Last week, in an equally curious decision, Goldwater told Republican committee members there was no money to hire a special counsel to handle the Casey affair. They talked him out of it; Fred Thompson, Republican counsel to the Senate Watergate Committee and the Haig confirmation hearing, was quickly hired.

Inside the badly wounded CIA, Casey's freewheeling operation—especially hiring Hugel as spy master—had agitated the "old-boy" network. His efforts to breathe new life into the agency, while applauded by many old hands, rubbed others the wrong way.

Casey has introduced what one intelligence expert calls "the merest whiff of competition" into CIA's analysis and assessments of worldwide intelligence. Even one "whiff" of outside competition is too much for some Langley veterans.

They prefer to limit the vital estimates game to the agency itself without consulting outside experts as then-CIA Director George Bush did with the famed "Team B" in 1976.

Congressional insiders claim that word of a far-out "dirty tricks" operation, erroneously alleged to have been aimed at Libya's Muammar Qaddafi but resisted by the House Intelligence Committee may have been leaked from the CIA, not on Capitol Hill. That leak was clearly designed to damage Bill Casey, even though it was the ousted Hugel who secretly testified about the operation to the House committee.

When the authoritative voice of Barry Goldwater rang out to demand Casey's resignation, the White House was stunned. It took senior aides until the weekend to complete a full check of Casey's alleged financial problems, which turned up nothing new. In the interim, without proof of any kind, Sen. Ted Stevens of Alaska, the Republican Whip, imperiously declared it to be his "judgment" that Casey should take Goldwater's advice. Republican Sen. William Roth, seeking re-election in Delaware, echoed Stevens.

That was followed by Democratic Sens. Joe Biden of Delaware and Patrick Leahy of Vermont, both committee members, charging that the mere existence of allegations against Casey was demoralizing the CIA. "I hope he's not on the job Monday," Biden piously told *The New York Times*.

Belatedly aware that a Casey strike-out on foul balls is a real possibility, Reagan finally counterattacked in public early this week. Also needed is private word to Goldwater that Reagan will not allow any senator, however revered, to seize power over dismissal and appointment of the director of the CIA. That is the least the president owes Bill Casey—and his country.

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CLEVELAND PRESS (OH)  
29 July 1981

## CIA covert activities pose tough question

Should the United States, through the Central Intelligence Agency, be capable of secretly destabilizing or overthrowing hostile foreign regimes?

President Reagan must answer that important question after he decides to keep as CIA head William Casey, whose previous business dealings are now under investigation.

At present the administration lacks the ability to carry out a major covert operation abroad. This is demonstrated by the Libya fiasco, which is embarrassing Washington and which everybody is denying.

It seems that the CIA's clandestine branch drew up a plan to overthrow Muammar Khadafy, the virulently anti-American Libyan leader who supports worldwide terrorism, including the murder of opponents in this country.

Under current law the CIA plan, approved by Casey, had to be presented to the House Select Committee on Intelligence. Some members were opposed and sent a letter of protest to Reagan. In addition, a congressman or aide leaked the matter to Newsweek, which printed it and effectively killed the operation.

Now it can be argued that the United States simply should not be mucking around in other countries, trying to get rid of enemies and change unfriendly regimes. In fact some of the CIA's past meddling, such as the unseating of Ngo Dinh Diem in South Vietnam, weakened a government we were trying to protect.

CIA officials reply that a president should have a response in between sending a note of protest and sending in the Marines, which means covert action. They add that the Soviet Union, untroubled by our qualms, recently installed their own men as president of Angola, Afghanistan and South Yemen, murdering at least two of their predecessors.

In any case, no national decision was ever taken here to forgo clandestine operations. That happened accidentally with last year's law requiring prenotification of the House and Senate Intelligence Committees, with a total of 33 members.

Any member or top aide now has a veto over what the CIA and the administration want to do: One leak and the operation stops. Congress never intended this, and it ought to take a fresh look at its handiwork.



29 JULY 1981

## A serious leak

IT IS understandable that the House Intelligence Committee might be concerned over reported plans for a CIA covert action against Libya's dictator Moammar Khadafi, especially if the plans involved an assassination attempt.

It would be entirely proper for committee members to advise against the plan, if they doubted either its morality or its political wisdom, and even to take the issue all the way to the President. The reason for the existence of the legislative oversight committees is to provide an outside check to head off blunders and abuses.

But it is one thing to oppose a plan one considers bad; it is another thing to leak it to the public. Whether the report is true or false, it has become public through Newsweek magazine.

It is damaging to the national interest to have the world hear of such a scheme being considered. If it's a good plan, now it has to be aborted; if it's a bad plan, it's bad for us if the world hears that it

was considered. And there is no indication that it was essential to leak the plan in order to stop it.

Administration officials have denied that there was such a plan, but in any case the administration would have to say that now, and many people in the world will prefer to believe anything about the CIA that sounds sinister.

We are left to wonder if the leak, whether of true or false information, is somehow the product of the current fight to get rid of CIA Director William Casey. Newsweek identifies its source as a Republican one, but even if that is true it does not disprove a political motive.

Up to now the congressional intelligence committees have a good record for keeping CIA secrets in their exercise of a more effective oversight role. We certainly hope the source of the leak is not one connected with those committees, and whatever the source we fear that the leak has been a disservice to the United States.

**Hal Gulliver**

# Dog Days May Get CIA Chief

Washington is sometimes a tough town as CIA Director William Casey is discovering, and this Dog Days time of year does not help the position of the nation's beleaguered chief spy.

Casey took over as director of the Central Intelligence Agency in President Ronald Reagan's administration with substantial credentials. On the political side, he had taken over Reagan's campaign at a time of some organizational difficulties early in 1980 and was credited with doing a good job. He had also served in American intelligence in World War II, before the CIA as such even existed, and had later served in Washington in several positions, posts significant enough to require presidential appointments and Senate confirmation.

Reagan and those around him probably viewed Casey as about as solid an appointment as the administration could make, possibly the least likely appointment ever to get them in any political difficulties.

Well, President Jimmy Carter and those around him had the same feeling about Bert Lance, Carter's choice as federal budget director who resigned after great controversy over his



banking practices.

Now, it is fair neither to Casey nor Lance to try to compare the two situations too far but there are obvious similarities.

Casey is being questioned in part about financial dealings, court actions, business interests that took place before he became head of the CIA. Lance was jumped in similar fashion about banking transactions and personal loans and so on that had occurred prior to his appointment as head of the Office of Management and Budget. Yet there is a difference on this front. Sen. Barry Goldwater already has called on Casey to resign because of poor judgment in Casey's decision to name Max Hugel the CIA chief for covert operations. Hugel already had resigned that post because of allegations by former business associates that Hugel had engaged in questionable business dealings. No one ever even accused Lance of bad judgment or incompetence in his handling of the job of federal budget director. Indeed, there were some who felt Lance had to resign but also felt that his departure from the OMB post was a serious loss for the Carter administration and for the federal government.

Ah, the Dog Days though are part of both cases, as unfair as that may seem. July and August are usually pretty dull months. People are on vacation, government agencies are working at less than full steam; to some extent people and agencies alike wait until after Labor Day to begin new projects. This translates into a considerable amount of news media attention to a Bert Lance story or a Bill Casey story, probably far more attention than the very same story might get at some other time of year.

Reagan's tax battles, the machinations of Congress, these take up some news space right now. Congress goes into recess in August making for even less general news from Washington, a bad omen for Casey, since that means still more attention paid to his story.

The fair question concerning the CIA director can be put easily enough. Has Casey done anything seriously wrong? Anything that reflects enough on his character or judgment to require him to resign? Trouble is though, these matters are not fair. Bert Lance protested in vain that he had not done anything wrong in his banking practices and a jury believed him, refusing to find Lance guilty of a single count of anything, even though the federal prosecutors spent three years trying to prove that Lance ought to be found guilty of something. But Lance resigned because he saw that those same government inquiries had taken on a life of their own, that he could not function in a high position in federal government while being battered publicly in such fashion day after day.

There is such a momentum working with CIA Director Casey.

# Question Casey<sup>2</sup> on Libyan plans

There is no doubt that William J. Casey, the director of the Central Intelligence Agency, made a bad mistake in judgment in his choice of Max Hugel, who resigned after former business associates accused him of improper business dealings. Hugel was Casey's deputy responsible for running the CIA's worldwide spy network.

Whether Casey's own business dealings of some years ago misled investors, as contended, is something that the Senate inquiry can quickly develop. Let Casey be heard fully.

But more important than that, senators should question Casey's proposals to undermine the government of Moammar Khadafy, the strongman who runs Libya.

House committee members contend that Casey recently presented a plan to discredit Khadafy, create a counter government to challenge him and a paramilitary campaign to oust him.

Newsweek magazine says in this week's issue the CIA's goal was Khadafy's "ultimate" removal and that committee members read this as a code for assassinating him. The magazine said committee members mistrusted Casey's denial of any intent to kill Khadafy.

President Ronald Reagan has accused Khadafy of fomenting international terrorism. There have been several killings of Libyans in this country whom the government believes were on Khadafy's hit list. Reagan properly sent the Libyan embassy staff home. This country still buys Libyan oil despite the lack of diplomatic relations.

The last thing this country needs is a **Approved For Release 2005/11/28 : CIA-RDP91-00901R000400160001-9** type man to depose or remove any ruler whose ideology

or alliances are not tuned to the West.

To take such action against Khadafy, a maverick Arab leader, would not be in this country's best interests. It would only inflame much of the Arab world while this country is trying to achieve peace between Arabs and Israelis.

This country doesn't have to help Khadafy. Nor does it have to help Premier Fidel Castro of Cuba, for whom the Reagan administration would like to make life more difficult.

But the United States should not foster the kind of international mischief which it has accused the Soviet Union of using. Planning revolution and removal of another country's leaders should be beyond the rules for the CIA.

Let Casey be heard on his business dealings. For the time being, we'll reserve judgment on that. Reagan should send him packing if he did mislead investors — or if his judgment on covert operations is as faulty as his selection of a top deputy.

If Casey goes, Reagan should be able to find a replacement from either business or government. A successor should be chosen for ability to give the CIA the kind of steady hand Vice President George Bush provided during the administration of former President Gerald Ford.

Reagan could also follow President Jimmy Carter's example and name a career military officer, like Admiral Stansfield Turner, to head the CIA.

The spy agency needs the nation's best talent at the top to provide information and analysis about what is happening throughout the world.

Second best isn't good enough — a fact that Hugel recognized promptly in his own forthright resignation.

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ON PAGE A-1

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29 July 1981

## Senators to hear Casey tell his side

WASHINGTON (AP)—The Senate Intelligence Committee will call embattled CIA Director William J. Casey to testify Wednesday in a closed session about his past business practices and management of the agency.

Sen. Barry Goldwater (R., Ariz.), the committee chairman, said the panel will submit questions to Casey Tuesday in advance of his Wednesday morning appearance.

Sen. Daniel P. Moynihan of New York, the panel's ranking Democrat, said of the committee's investigation: "This will be a fair and complete inquiry (conducted) in such a way that the intelligence community will not be disrupted."

THE TWO SENATORS spoke after a three-hour closed meeting during which the senators were told what the committee staff had learned so far in its Casey inquiry.

Goldwater said he hoped the investigation could be completed in 10 days to two weeks, but added that, if necessary, the committee would resume the investigation after Congress recesses in August.

Sources close to the investigation said Monday that the review of Casey's fitness is expected to stretch into September and that the panel might seek his resignation even if no criminal wrongdoing is found.

AS CASEY CONTINUED visiting senators Monday to rally support, and the White House issued a new vote of confidence from President Reagan, the Intelligence Committee put veteran Watergate investigator Fred Thompson in charge of the investigation.

Thompson, along with Goldwater and Moynihan, heard a preliminary staff report Monday on Casey's tangled past business practices and his appointment of businessman Max Hugel to head CIA

clandestine services.

Thompson, 38, who served as Republican counsel to the Senate Watergate Committee in 1973, is a close associate of Senate Majority Leader Howard H. Baker Jr. (R., Tenn.). "This gives Baker more input into the committee," said one source, who asked not to be identified.

ONE SOURCE said the staff report was very preliminary and basically outlined areas to pursue. This source said that effort was expected to take two to four weeks, which would postpone the committee's final conclusions until Congress returns in early September from its August vacation.

Casey and the White House had hoped to extinguish the controversy before Congress leaves town.

Reagan's chief of staff, James Baker, said Tuesday that he does not believe the President made an error in judgment appointing Casey, "barring something appearing that has not yet appeared that we don't know about."

Baker said, "I think this: I think it would be unfortunate under our system in this country to prejudice anybody before all the evidence is in."

"The administration, of course, recognizes Congress' constitutional oversight responsibilities and will cooperate with the Congress in any oversight hearing..."

"At the same time, the President has made it clear that he has seen nothing so far that would cause him to change his mind about Bill Casey and that he continues to support Bill Casey," Baker said.

THOMPSON PROMISED "a thorough inquiry," but added: "I hope it will be resolved in the near future. I don't think it serves anybody's purposes to have a long, drawnout affair." He declined to commit himself in any more detail on timing.

White House deputy press secretary Larry Speakes said Reagan hoped the questions about Casey would be resolved shortly "in spite of Mr. Thompson's being retained there."

"The President still has full confidence in Mr. Casey and hopes this matter will be concluded shortly," Speakes said.

Asked whether he thought Casey could continue to be effective in his job, Speakes said: "We think so. He's a distinguished public servant."

win Meese III on a number of subjects, Speakes said.

"Of course, the matter of the current controversy was discussed," he said.

Although Casey appears determined to hang onto his job, his most ardent supporters among the most conservative Republicans on Capitol Hill already have begun discussing the possibility of a suc-

cessor.

Two sources said those conservative GOP forces favor Laurence Silberman, now an attorney with a San Francisco bank, as a replacement. A deputy attorney general in the Nixon and Ford administrations, Silberman served briefly as chief of the Reagan transition team at the Central Intelligence Agency.

## CASEY SEEKS CURBS ON EX-C.I.A. AGENTS

Says a Review of Contracts Is  
Needed to Bar Disclosures

By STEVEN R. WEISMAN

Special to The New York Times

WASHINGTON, July 28 — William J. Casey, the Director of Central Intelligence, has ordered a review of C.I.A. contracts to develop what he called "additional protections" against the transfer of technology and information by former agents to such countries as Libya and the Soviet Union.

In the text of an 11-page speech prepared for delivery to the Central Intelligence Agency's employees, Mr. Casey specifically referred to the recent episode in which two former agents, Edwin P. Wilson and Frank Terpil, used their agency connections to travel to Libya to train terrorists and transport explosives there illegally.

Mr. Casey said that Stanley Sporkin, the C.I.A.'s general counsel, "is reviewing our contracts to develop additional protections against the kind of moonlighting and use of our contractors and technology which occurred in the Wilson-Terpil situation."

The purpose of Mr. Casey's speech

was to reassure the agency's employees that he intended to weather the current controversy over his past financial practices and management of the agency, which have led to calls for his resignation by three key Republican Senators, including Barry Goldwater, Republican of Arizona, chairman of the Senate Intelligence Committee. Today, the committee said that it had asked Mr. Casey to testify tomorrow about his financial dealings and management of the agency.

In the speech, Mr. Casey said he had taken and would take several steps to improve the agency's operations.

Asserting that past intelligence estimates had not reflected "the full range of threats which our policy makers need to protect against," he said that he had, on occasion, refused to accept estimates prepared by agency analysts. He said that estimates prepared on Africa and Latin America, specifically, had "not addressed Soviet interests, activities and influence."

### Assails Intelligence Reports

In the past, Mr. Casey said, agency estimates had failed to address these aspects. "Worse still," he continued, "I have seen drafts of estimates prepared a year or more ago by analysts in this building which accurately predicted what has happened in Nicaragua and Cuba's new aggressive policies in Central America at a time when those developments certainly should have been carefully considered."

"Sadly," said Mr. Casey, "these analytical insights were strangled in the clearance and coordinating process so that they did not reach policy makers in a national estimate. I intend to see that that does not happen as long as I am D.C.I."

The issue of intelligence estimates have long stirred debate among experts. Previous C.I.A. directors, including Mr. Casey's predecessor, Adm. Stansfield Turner, have been accused of altering certain assessments to reflect their views or those of their Administrations.

jected a C.I.A. draft assessment on terrorism that, according to intelligence officials, failed to conclude that the Soviet Union was directly involved in fomenting international terrorism.

In his speech, Mr. Casey said he had "revised timetables and procedures for doing national estimates to get them out more quickly, making them more crisp and more relevant to policy needs."

Mr. Casey also said he had moved to improve coordination between the intelligence community and policy makers. He said that both he and his deputy, Adm. Bobby R. Inman, were now having weekly breakfast meetings with Secretary of State Alexander M. Haig Jr. and Defense Secretary Caspar W. Weinberger, and "regular meetings" with President Reagan and the National Security Council.

### Hugel Affair Mentioned

Some of Mr. Casey's remarks related to a reorganization of the agency's clandestine operations that led to his original selection of Max C. Hugel as director of clandestine operations. Mr. Hugel resigned two weeks ago after former business associates accused him of financial misconduct. Mr. Hugel denied the charges. The ensuing controversy helped create questions about Mr. Casey's judgement among members of the Senate intelligence panel.

Mr. Casey acknowledged in the speech that the Hugel episode had "turned out badly."

# William Casey: unpretentious and an astute political tactician

## PROFILE IN THE NEWS

United Press International

WASHINGTON - When President Ronald Reagan selected his campaign manager, William J. Casey, as director of the CIA in December 1980, some eyebrows around Washington were raised.

The spy agency had come through a series of trials and tribulations and suffered periods of rock-bottom morale. Although Casey had extensive intelligence experience in World War II, there were doubts about putting a political person in charge of the "nonpolitical" CIA.

But, as has been the case countless times before, the President got his man in the euphoria of his election triumph, with few questions asked.

Casey, a native of Elmhurst, N.Y., is a disarmingly unpretentious man, bespectacled, with somewhat dishevelled, thinning white hair and sometimes rumpled suits.

Casey, 68, made his reputation in Washington as a pragmatic government official, high-powered corporate lawyer and astute political tactician. He took command of a faltering Reagan campaign in a staff shakeup at the start of the 1980 primaries and put it back on track.

"I believe that were it not for Bill Casey, Ronald Reagan would not now be President of the United States," Sen. Paul Laxalt (R-Nev.), who served as campaign chairman, said recently.

Casey's cloak-and-dagger experiences were not widely known.

But his experience as chief of secret intelligence in Europe for the Office of Strategic Services under Bill Donovan was seen as important in his leading a CIA with renewed emphasis on covert operations.

Casey played a key role in the closing days of the war, working out of London with responsibility for penetrating Nazi Germany. Casey's agents parachuted behind German lines on sabotage and intelligence missions and he helped take apart the German spy network in England.

After the war, Casey served in Washington as a congressional aide and in Europe as a Marshall Plan adviser. A graduate of Fordham University and St. John's University Law School, he returned to New York and made a fortune as a tax lawyer.

In 1966, Casey ran for Congress, saying: "I've made all the money in business that my family could ever spend. I want do something more meaningful."

He lost, but he went on to serve in a number of top posts in the Nixon and Ford Administrations, including chairman of the Securities and Exchange Commission in 1971, undersecretary of state for economic affairs in 1973 and president of the Export-Import Bank 1974-76.

In all, as Casey pointed out when controversy erupted over his past business dealings, he had been "confirmed by the United States Senate four times."

After he took over the CIA, Casey said he believed strongly in building up an intelligence agency still recovering from the damaging revelations in the mid-1970s by congressional committees and exposes of past misdeeds and the forced early retirement or dismissal of more than 1000 CIA veterans by his predecessor, Stansfield Turner.

Casey sought to remove the agency from public image, ordering the closing of the CIA's Office of Public Affairs, ending background briefings for individual reporters and downgrading the office of legislative counsel.

## CIA file on Hugel's role

The Administration's interest in appointing top officials who have supported President Ronald Reagan may have worked to its disadvantage in the case of Max Hugel, the head of the CIA's clandestine service who resigned July 14 after published assertions that he had engaged in improper stock trading. A CIA security file on the background investigation of Hugel, puts strong emphasis on Hugel's political role in Reagan's 1980 campaign. Page 59.



# Casey to testify today

## Goldwater drops plea

By Robert Lenzner  
 Globe Staff

WASHINGTON — The investigation of CIA director William J. Casey, who will testify before the Senate Intelligence Committee today, will last at least two weeks, the panel's chairman said yesterday.

During a brief meeting with reporters, Sen. Barry Goldwater (R-Ariz.) withdrew his request for Casey to resign, probably improving by a notch or two the CIA director's chances for keeping his job. A long investigation, if it produces no damaging revelations, could also help defuse the controversy.

"Mr. Casey is a creature of the President's wishes," Goldwater said in explaining why he has pulled back his request for Casey's resignation. "The President has usurped anything I might think or say or do."

Casey visited with two committee members, Senators Lloyd Bentsen (D-Texas) and Patrick Leahy (D-Vt.), yesterday afternoon to rally support. Leahy's press secretary, Michael Calhoun, said no bombshells about Casey were presented during a three-hour, closed-door meeting of the Intelligence Committee yesterday.

After that meeting, during which the committee discussed a preliminary report on Casey produced by staff investigators, Goldwater and vice chairman Daniel Moynihan (D-N.Y.) announced Casey would testify at 9:30 this morning.

"I look forward to talking to members of the Senate Intelligence Committee tomorrow morning and will answer any questions they wish to put to me," the CIA director later told reporters. "My life is an open book."

As a member of the Eastern establishment Republican Party, Casey — a former law partner and former chairman of the National Republican Party and of the Securities and Exchange Commission (SEC) — still has many chips to call in for support.

The 68-year-old Casey, who was chairman of Ronald Reagan's presidential campaign and chairman of the President's search committee for Administration appointments, faces an examination of his

private business activities going back almost 20 years, as well as of controversies that arose during his years in the Nixon Administration. Beginning in 1971, Casey was chairman of the SEC, undersecretary of state for economic affairs, and president and chairman of the US Export-Import Bank.

There have always been questions about Casey's performance during previous confirmation hearings before the Senate. For example, in March 1971, when his nomination for chairman of the SEC was before the Senate Banking Committee, Casey did not at first disclose at least two lawsuits.

Casey in fact conceded that his earlier testimony before the committee had been wrong and disclosed that he had been accused in 1962 of violating the securities law by helping to sell unregistered stock in a small New York company on the basis of false information. The suit alleged that Casey, as a stockholder of Advancement Devices Inc., was responsible for issuing false information in a company that became bankrupt. Casey settled this suit by paying the stockholder \$5000 out of an original \$10,000 claim.

About the same time, Casey was also sued for plagiarism by Henry J. Fields, who claimed Casey had used part of his manuscript in a tax advice manual published by Prentice-Hall publishing company. Casey settled out of court at a cost of \$20,000.

In 1968, Casey invested in and became a director of Multiponics Inc., a soybean farming operation. A recent federal court decision found Casey and other directors of Multiponics guilty of issuing misleading information about the company in its original offering circular for private financing.

No dollar judgment has yet been levied in the case.

The Senate Intelligence Committee began its investigation of Casey two weeks ago, after the Multiponics ruling was disclosed, and after a controversy over Casey's appointment of Max Hugel, a businessman without experience in intelligence, as chief of covert operations.

Hugel resigned July 14 after two former associates accused him of improper stock market practices.

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THE PHILADELPHIA INQUIRER

29 July 1981

## His life's 'open book,' Casey says

By Robert Parry  
Associated Press

WASHINGTON — CIA Director William J. Casey declared his life "an open book" yesterday and said he was ready to answer any questions by the Senate Intelligence Committee about his past business dealings and management of the agency.

Casey, who had asked for the opportunity, was asked by the panel earlier in the day to appear today at a closed-door session.

"I'm not concerned about anything," Casey told reporters after an afternoon meeting at the office of Sen. Lloyd Bentsen (D., Texas), a committee member.

"My life is an open book," Casey said. "I'm not afraid to discuss anything."

Casey, who was President Reagan's campaign director, added that he felt he could continue to operate effectively as CIA director despite the current controversy.

Casey was also buoyed by an expression of support from Bentsen, who with other committee members heard a preliminary report on a staff investigation of Casey yesterday morning.

"I have yet to hear or see any credible evidence that would lead me to believe Mr. Casey should resign," Bentsen said. "To this point, they haven't laid a glove on him."

After yesterday's three-hour meeting, Sen. Barry Goldwater (R., Ariz.), committee chairman, said Casey would be given a list of questions well before the hearing, but the senator refused to outline them.

Casey's visit to Bentsen's office and a later stop at the office of Patrick Leahy of Vermont, another committee Democrat, were part of a four-day personal lobbying effort by Casey.

He has vowed to lay to rest the controversy over his role in a failed New Orleans farming venture in the early 1970s and the resignation of Max Hugel, a New Hampshire businessman whom Casey hired to head the CIA's worldwide spy network.

Goldwater told reporters that he hoped the committee staff could complete its investigation in 10 days to two weeks, and that the full panel would return, if necessary, during the August congressional recess to deal with the matter.

The committee's special counsel for the case, Fred Thompson, said, however, he would not be able to predict how long the inquiry would take until hearing Casey's testimony.

And other sources close to the investigation said the committee might not wrap up its work until September.

At the Tuesday meeting, the committee heard a staff report on the preliminary results of its investigation.

Commenting on that preliminary report, Sen. Richard G. Lugar (R., Ind.), a committee member, said "new details [about Casey's business dealings] do not suggest character defects or unfitness to serve as director of the CIA."

But Lugar added that "the committee will question Mr. Casey on new allegations in face-to-face testimony" today. His staff, however, declined to say what those new allegations were.

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NEW YORK DAILY NEWS  
28 July 1981

# Watergate lawyer runs Casey probe

By JOSEPH VOLZ

Washington (News Bureau)—The Senate Intelligence Committee named former Watergate committee counsel Fred Thompson as a special counsel yesterday to run an expanded investigation of CIA Director William J. Casey amid new charges that the embattled spy chief proposed a plot to overthrow Libyan strongman Col. Moammar Khadafy.

Thompson, a Nashville attorney with close ties to Senate Majority Leader Howard H. Baker Jr. (R-Tenn.), was GOP minority counsel during the Senate Watergate committee hearings in the summer of 1973. He took charge of the Casey investigation immediately, meeting with Sen. Barry Goldwater (R-Ariz.), chairman of the Intelligence Committee.

Intelligence Committee investigators have completed what is now described as a "preliminary" report on Casey's tangled finances and his work as head of the CIA since last January.

The naming of Thompson, with his close ties to Baker, was seen on Capitol Hill as a signal to President Reagan that GOP congressional leaders are united about conducting a time-consuming and possibly damaging investigation of Casey if he does not voluntarily step down as CIA director.

THE PRESIDENT CONTINUES to state publicly that he has confidence in Casey, but says he is willing to review the CIA director's status if the investigators turn up any new revelations.

Casey's handling of the Khadafy matter, despite being cloaked in secrecy, could give his critics more ammunition against him. Goldwater already has called for Casey's ouster, saying he showed questionable judgment in naming an inexperienced New Hampshire businessman, Max C. Hugel, as head of the CIA's covert operations division, which would have run any operation against Khadafy. Hugel was forced out of the post earlier this month after allegations surfaced about stock manipulation before he joined the agency.

The Daily News reported in May, on high authority, that the Reagan administration was seriously considering a secret strategy to employ Egypt and other "moderate" Arab states to topple the radical Khadafy. Newsweek magazine said this week that the plan included using the CIA to create a "counter-government" and to support anti-Khadafy guerrillas inside Libya.

But some members of the House Intelligence Committee reportedly were upset about the plan, which they thought might include CIA-backed assassination of Khadafy as a last resort. Former President Jimmy Carter specifically banned assassinations of national leaders as a CIA weapon after 1975 revelations about abortive agency attempts to kill Cuban President Fidel Castro.

IN A MOVE LED BY Rep. Lee Hamilton (D-Ind.), a House Intelligence subcommittee complained directly to Reagan about the anti-Khadafy plan. The panel expressed doubt about CIA assurances that assassination was not being considered. House sources said that although the Khadafy operation was not specifically named in the subcommittee's letter, the President would have had no trouble figuring out what the panel was talking about.

Meantime, it was learned that an informal search for a successor to Casey had already begun with the names of two former Defense Intelligence Agency directors, Gens. Samuel Wilson and Daniel Graham, and a former CIA deputy director, Gen. Vernon Walters, at the top of the list. Walters, who is highly regarded by Reagan, has been on troubleshooting missions for the President to areas such as Central America, where the CIA might eventually mount operations, covert or otherwise.

But if any of the three military men named was to be picked for the top spot at the CIA, the current deputy director, Adm. Bobby R. Inman, would have to go. The law setting up the CIA bars military men from holding both of the top spots.

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DALLAS TIMES HERALD (TX)  
28 July 1981

# Casey probe is vital

The Reagan administration and the appropriate congressional oversight committees need to determine promptly whether Central Intelligence Agency Director William J. Casey is fit for continued service. They can do that by thoroughly investigating all the allegations that have cast a shadow over his credibility and prompted calls for his resignation.

Due to a variety of factors, the image of the CIA has been damaged in recent years and its effectiveness as the nation's top intelligence agency has been compromised. If the CIA is to regain its past stature and the confidence of the American public, it must be led by officials of unquestioned integrity.

Mr. Casey's qualifications to hold the director's position quite properly is being questioned on a number of fronts.

Sen. Barry Goldwater, R-Ariz., the formidable chairman of the Senate Intelligence Committee, has called for Mr. Casey's resignation on the grounds that Casey was responsible for selecting Max Hugel as deputy director for CIA clandestine operations. Mr. Hugel was forced to resign on July 14 when it was revealed that he had been accused by two Wall Street brokers of entering into a conspiracy with them in the early 1970s to illegally boost the price of stock in a New York wholesale firm he once headed.

Sen. Goldwater is right in questioning the propriety and wisdom of Mr. Casey's choice of his second-in-command on at least two grounds: Mr. Hugel had scant qualifications for the highly sensitive job, and, if the accusations prove true, Mr. Hugel could have been the target of a blackmail attempt. That would have put him in an intolerable position as the nation's chief spymaster.

Mr. Hugel claims that Mr. Casey had every reason to trust him because he had known him for "20 years." But Mr. Casey now claims that he has been acquainted with Mr. Hugel for only 17 months. Both men served in top capacities in President Reagan's 1980 campaign — Mr. Casey as national campaign chairman and Mr. Hugel as an organizer of volunteers.

We question the wisdom of naming campaign workers to high positions in the government, especially at an agency as sensitive as the CIA. It would appear that Mr. Reagan, for all the good decisions he has made so far as the nation's chief executive, did not learn much from the Bert Lance affair in the ill-starred administration of his predecessor.

Mr. Casey's personal background also has come under fire. He and seven other directors of Multiponics, Inc., a now-defunct agribusiness, have been accused by a New York federal judge and an appellate court in New Orleans of misleading investors in a money-raising scheme from 1968 to 1971.

Mr. Casey also is facing criticism for allegedly approving a covert CIA plan to topple Libya's Moammar Khadafy.

The White House and the oversight committees need to determine the validity and seriousness of the charges raised against Mr. Casey and to learn why he saw fit to name a person of Mr. Hugel's inexperience and background as his second-in-command. The CIA must get about its important job of gathering information in the international arena that is vital to this nation's well-being. It must not be compromised in any manner in that mission.

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WASHINGTON POST  
23 July 1981

## Casey Defends Himself In Speech to CIA Staff

By George Lardner Jr.  
Washington Post Staff Writer

CIA Director William J. Casey defended himself in an upbeat speech to agency employees yesterday, but acknowledged that the Senate investigation of his activities is going to take longer than he had hoped.

The Senate Intelligence Committee made clear earlier in the day that there would be no quick wrap-up of its investigation of Casey by announcing the appointment of a special counsel to carry on the inquiry it began July 17.

Hundreds of CIA employees reportedly responded with a standing ovation for their director at the windup of a combination status report and pep talk that Casey gave them in the agency auditorium.

"He feels he's been doing a good job at CIA," said agency spokesman Kathy Pherson. "He was upbeat. He sounded good."

Casey, however, had hoped to have the issues that have made him the first of President Reagan's Cabinet-level appointees to come under congressional investigation cleared up this week.

The assignment of Nashville lawyer Fred Thompson, 38, who once served as Republican counsel for the Senate's investigation of the Watergate scandal, indicated that the committee intends to dig deeper.

Senate Majority Leader Howard H. Baker Jr. (R-Tenn.), however, expressed doubt that the investigation would last much longer, despite the appointment of Thompson.

"What hiring Fred Thompson signals to me is that the committee wants to have someone do a capable job without having to learn on the

job — to do it as soon as circumstances permit and not make a lifetime career of it," Baker said.

Thompson joined Sens. Barry Goldwater (R-Ariz.), the committee chairman, and Daniel P. Moynihan (D-N.Y.), the vice chairman, yesterday afternoon for a special briefing from committee staff director Jack Blake and his aides on their preliminary findings.

The full committee of eight Republicans and seven Democrats is scheduled to meet this morning to review the same material.

The inquiry thus far has dealt primarily with Casey's business practices before he joined the agency and has included a review of FBI files compiled during the bureau's background investigations of Casey for the CIA post and for an earlier appointment in 1973 as head of the Export-Import Bank.

The investigation was triggered by the resignation of Casey's hand-picked chief of covert operations, Max Hugel, on July 14 following disclosure in The Washington Post of alleged improprieties concerning the stock of a firm Hugel once headed.

Goldwater said last week that he thought the poor judgment Casey showed in insisting on the inexperienced Hugel as CIA's deputy director for operations was in itself sufficient cause for his resignation. Two other Republicans voiced their agreement the next day, but most other committee members have since adopted a wait-and-see attitude, suggesting that the Hugel episode is not enough for them.

One, Sen. John H. Chafee (R-R.I.) said in a statement yesterday that he intends to await the outcome of the committee's investigation,

which is expected to include testimony from Casey.

"I do not believe in hanging a man — and then giving him a fair trial," Chafee, a committee member, said. "... I anticipate it will be a while before we can come to any conclusions."

The inquiry thus far has covered litigation concerning Casey's role in a bankrupt agribusiness firm, Multiponics Inc., and has started to touch on his previously undisclosed legal work for a New Jersey waste disposal firm with alleged ties to organized crime, SCA Services Inc.

Casey represented the firm several years ago when a number of its top officials were accused by the Securities and Exchange Commission of diverting about \$4 million in corporate assets to personal use.

In his talk at the CIA, Casey said he was surprised so many allegations could crop up in a week.

"He said it might take a few more weeks, but he asked the employees to bear with him and said he was confident he would still be with them as head of the CIA," Pherson reported.

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THE BALTIMORE SUN  
28 July 1981

## U.S. disowns alleged CIA Kadafi plot

By Henry Trehwitt

Washington Bureau of The Sun

Washington—The administration disavowed yesterday a reported plan by the Central Intelligence Agency to overthrow Col. Muammar el Kadafi, the Libyan leader, saying it does not condone such undertakings.

Larry Speakes, the White House spokesman, repudiated bluntly an elaborate proposal that had alarmed at least some members of the House Select Committee on Intelligence. Their protest, written directly to President Reagan and leaked to *Newsweek* magazine, brought the affair to light.

Despite the furor, Mr. Speakes and congressmen alike tried to preserve the tradition of refusing direct comment on intelligence matters. The letter from Congress, Mr. Speakes said, did not mention either Colonel Kadafi or Libya.

Speaking generally, he said, the administration "does not condone the assassination of foreign leaders or the overthrow of foreign governments by the U.S. government." No one was in doubt, however, that the anti-American Libyan leader was the subject.

Congressional sources confirmed yesterday the report published in the current issue of *Newsweek*. They said a complex plan to destabilize Colonel Kadafi's government, leading to his "ultimate" removal, had been presented by Max Hugel, CIA deputy director until his resignation two weeks ago, with the endorsement of director William J. Casey and the White House crisis management team headed by Vice President Bush.

According to *Newsweek*, the long-term campaign involved several elements, including propaganda to embarrass Colonel Kadafi, the creation of a rival government, and finally guerrilla operations by rebellious Libyans. The hand of the United States was not to appear in the undertaking.

Some members of the House Intelligence Committee saw the background threat of assassination in the plans. Their alarm on that score prompted the letter to the president, although Mr. Casey disclaimed any such intent.

Neither the proposal nor the protesting before the affair became public, one official said yesterday. A former intelligence officer, however, said the public repudia-

added wryly, however, "I don't know destabilizing more than Kadafi."

The mercurial Libyan leader is an Arab nationalist. Strongly opposed to Arabism, he has funded radical Arab governments, has argued passionately that nuclear weapons must match the nuclear power widely assumed to have.

For those reasons, many intelligence specialists, present and former, in Washington, had regarded Libya as a prime target for the reentry of the CIA into covert operations. Such activity has been at low level since the agency was found in the mid-1970s to have far exceeded its mandate, partly by spying on American activists at home.

Generally the Reagan administration has indicated that it wanted to release some of the restraints on CIA activity abroad. Efforts to formally redefine its role, however, perhaps through adoption of a formal charter, so far have failed.

Some increases in clandestine political and paramilitary activity are reported to have occurred. The successful operations, the former intelligence official observed, "are the ones you don't hear about." They are said to be modest by former standards, however.

A law enacted last year reduced from eight to two—select committees in both houses of Congress—the number of congressional groups to which the agency is accountable. As for executive authority, the agency operates under guidelines fixed three years ago by former President Jimmy Carter. Mr. Reagan is still considering his own version.

Now, one administration official remarked yesterday, the agency is bound to operate under ambiguous authority until the status of Mr. Casey, who is under fire in Congress, is determined. Several senators have called for his resignation, first for hiring Mr. Hugel, who lacked experience in intelligence work, and second because of the way he conducted his private business affairs.

The turmoil clearly is a far cry from Mr. Casey's expectations of a month ago, when he told colleagues it was time for the agency to soften its public relations campaign and recede from public view because "the difficulties of the past decade are behind us."



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WASHINGTON STAR (GREEN LINE)  
28 JULY 1981

## Prosecutor Joins Senate Panel for Probe of Casey

By Henry S. Bradsher  
Washington Star Staff Writer

The Senate committee investigating CIA Director William J. Casey has hired a special counsel, signaling that the probe could be a lengthy one.

Fred Thompson, a 38-year-old partner in a Nashville law firm who served as a GOP special counsel during the Watergate hearings eight years ago, was chosen by the Senate Select Committee on Intelligence to aid its probe of the professional and personal problems of Casey.

Casey held a strategy session with top presidential aides at the White House yesterday, and he was warmly received by his own people at the agency when he met with them to outline his situation.

At the White House later, he met with counselor Edwin Meese and Deputy Chief of Staff Michael Deaver, with Deputy Secretary of State William Clark sitting in. It was the first time Casey had been in the White House since the start of his troubles.

Casey told a mass meeting of his employees that he was confident of being exonerated and had every intention of staying on.

According to a CIA official present, Casey "gave a presentation of the current situation concerning his business activities (and) expressed confidence that the investigation by the Senate will exonerate him."

The 45-minute meeting was held in the CIA's white, igloo-shaped auditorium just outside its main headquarters building at Langley, Va. Casey's presentation also was aired over the agency's internal television system.

The Senate investigators have been studying Casey's appointment of Max C. Hugel as the head of CIA clandestine operations without normal security clearance and allegations about irregular business dealings in the CIA director's past.

The Senate panel meets today to review materials on Casey and then

decide how to proceed with its investigation.

A strong indication that the answers Casey has already supplied to committee questions would not close the case was the naming yesterday of Thompson as special counsel.

Thompson was minority counsel at the Watergate hearings in 1973 and a special GOP counsel at confirmation hearings this year for Secretary of State Alexander M. Haig Jr.

Intelligence Committee Chairman Barry M. Goldwater, R-Ariz., and another committee member, William V. Roth, R-Del., called last week for Casey's resignation on the basis of information already public. They were joined by Senate majority whip Ted Stevens of Alaska, but Henry Jackson, D-Wash., and other senators urged a full hearing for Casey before any conclusions are drawn.

Both President Reagan, through a spokesman, and Vice President George Bush reiterated their support for Casey yesterday.

"The president still has full confidence in Mr. Casey and hopes this matter will be concluded shortly," deputy White House press secretary Larry Speakes said at the White House.

Bush, who was CIA director in 1976 and 1977, said in Atlanta that "Mr. Casey has my full support and will continue to have it until and unless there is some evidence that would change one's view."

Goldwater and the committee's deputy chairman, Daniel Patrick Moynihan, D-N.Y., received a summary yesterday of their investigators' findings on Casey. Committee sources said materials studied so far did not indicate any significant new problems not already publicized.

The intelligence committee was holding a closed meeting in the Capitol today "to decide the extent to which it wants to go" in pursuing the Casey investigation, a committee source said yesterday. "We anticipate that Casey will come up here at some point and state his case," the source added.

In a letter to the committee Sunday, Casey asked for "a committee

hearing as soon as possible." The committee was deciding on that request today.

Thompson said yesterday, "I expect it to be a thorough inquiry, but I hope it will be resolved in the near future. I don't think it serves anybody's purposes to have a long, drawn-out affair."

The lawyer began meeting the 15 committee members and "dipping into materials that Casey provided in response to our questions," a committee official said. In reply to questions, Casey sent the committee on Sunday 20 copies of a 10-volume reply.

Only three committee staff members have been working full time on the investigation so far, Thompson said. He said he might hire one or two more.

Thompson was hired because neither Goldwater nor Moynihan is a lawyer, the committee official said. Neither is the committee's staff director, John Blake, or its minority staff director, Abram Shulsky.

The committee has a minority legal counsel, Peter Sullivan, but the post of majority legal counsel has been vacant, and Thompson will in effect fill it during the inquiry.

Goldwater's call Thursday for Casey's resignation was based primarily on the Hugel case. Hugel, a self-made New Hampshire millionaire businessman, helped Casey run Reagan's 1980 presidential campaign, and Casey then took him into the CIA first as a personal assistant and then as the agency's spymaster.

The latter assignment outraged many past and present CIA professionals, who felt Hugel lacked the knowledge and background to run the agency's most sensitive affairs.

Two weeks ago publicity about Hugel's business affairs, including a charge of stock market manipulation, forced him to resign under White House pressure. Hugel denied the charge.

In the aftermath, it became known that he had not been subjected to the normal lengthy, detailed and careful security checks given such appointees.

A further repercussion of the revelations about Hugel was new attention to old legal problems surrounding Casey's rise as a self-made millionaire. Charges have been made of questionable business practices, which Casey denied, and failure to fully disclose information during his Senate confirmation for the CIA. In a federal case, a federal judge found that Casey had misled investors.

28 July 1981

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CASEY INDUSTRY GOES TO SENATE PANEL

BY DANIEL F. GILMORE

WASHINGTON (UPI) -- THE CASE OF CIA DIRECTOR WILLIAM CASEY TODAY REACHED THE FULL SENATE INTELLIGENCE COMMITTEE, WHOSE MEMBERS COULD PLAY A MAJOR ROLE IN DECIDING WHETHER A MOUNTING STORM OF CONTROVERSY CLAIMS CASEY AS ITS VICTIM.

THE COMMITTEE SCHEDULED A CLOSED-DOOR MEETING TO HEAR THE FINDINGS OF A STAFF INVESTIGATION OF CASEY'S PAST BUSINESS DEALINGS AND HIS OVERALL STEWARDSHIP OF THE AGENCY.

CASEY, FIGHTING FOR HIS JOB, RECEIVED A STANDING OVATION FROM CIA EMPLOYEES MONDAY AFTER EXPRESSING CONFIDENCE HE WOULD BE SURVIVE THE TEMPEST SURROUNDING HIM AND THE AGENCY.

HE THEN HELD A STRATEGY SESSION AT THE WHITE HOUSE, WHERE A SPOKESMAN REITERATED PRESIDENT REAGAN'S SUPPORT FOR CASEY, 68, HIS FORMER CAMPAIGN MANAGER.

SENATE INTELLIGENCE COMMITTEE CHAIRMAN BARRY GOLDWATER, R-ARIZ., LAST WEEK CALLED FOR CASEY'S RESIGNATION -- A SUGGESTION SECONDED BY ASSISTANT SENATE REPUBLICAN LEADER TED STEVENS OF ALASKA AND SEN. WILLIAM ROOTH, R-DEL.

ON MONDAY, GOLDWATER APPOINTED FRED THOMPSON, FORMER COUNSEL TO REPUBLICANS ON THE SENATE WATERGATE COMMITTEE, TO TAKE CHARGE OF HIS PANEL'S INVESTIGATION OF CASEY.

THE COMMITTEE'S LEGAL STAFF BEGAN ITS PROBE TWO WEEKS AGO AND TODAY WAS TO REPORT TO ITS EIGHT REPUBLICAN AND SEVEN DEMOCRATIC MEMBERS.

THE COMMITTEE STILL MUST DECIDE ITS NEXT MOVE, INCLUDING WHETHER TO GRANT CASEY'S REQUEST FOR A HEARING TO PERSONALLY RESPOND TO ANY QUESTIONS OR ALLEGATIONS.

A COMMITTEE SOURCE SAID CASEY MOST LIKELY WOULD BE INVITED TO APPEAR, POSSIBLY LATER THIS WEEK.

THE CRITICISM OF CASEY FOCUSES ON HIS STEWARDSHIP OF THE CIA AND HIS PERSONAL AFFAIRS.

HE IS UNDER FIRE FOR HAVING CHOSEN MAX HUGEL, A NEW HAMPSHIRE BUSINESSMAN AND INTELLIGENCE NOVICE, TO SUPERVISE ALL CIA CLANDESTINE OPERATIONS. HUGEL RESIGNED JULY 14 amid allegations of improper stock practices in the mid-1970s.

THE COMMITTEE ALSO IS EXAMINING A FEDERAL JUDGE'S RECENT RULING -- DISCLOSED THE SAME DAY HUGEL RESIGNED -- THAT CASEY AND FORMER ASSOCIATES IN A NOW-DEFUNCT AGRIBUSINESS FIRM KNOWINGLY MISLED INVESTORS IN 1963.

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CASEY

AND STILL OTHER QUESTIONS HAVE SURFACED ABOUT CASEY'S PERSONAL FINANCES AND HIS APPROVAL OF CIA COVERT OPERATIONS, INCLUDING ONE THAT REPORTEDLY SO CONCERNED MEMBERS OF THE HOUSE INTELLIGENCE COMMITTEE THAT THEY FIRED OFF A RARE LETTER OF PROTEST TO LEAHN.

CASEY PRESENTED A STACK OF DOCUMENTS SUNDAY TO THE SENATE COMMITTEE'S STAFF, WHICH REVIEWED THE MATERIAL MONDAY.

AT A MASS MEETING MONDAY WITH CIA EMPLOYEES, A CIA OFFICIAL SAID A RELAXED CASEY "GAVE A PRESENTATION OF THE CURRENT SITUATION CONCERNING HIS BUSINESS ACTIVITIES AND EXPRESSED CONFIDENCE THAT THE INVESTIGATION BY THE SENATE WILL EXONERATE HIM."

THE DIRECTOR, HE SAID, DELIVERED "A RESUME OF THE WAY HE HAD RUN THE AGENCY IN THE PAST SIX MONTHS AND SPOKE OF THE FUTURE IN WHICH HE INTENDS TO PARTICIPATE."

THE OFFICIAL SAID CASEY WAS GIVEN A STANDING OVATION AT THE END OF THE 45-MINUTE PRESENTATION IN THE IGLOO-SHAPED AUDITORIUM JUST OUTSIDE THE MAIN BUILDING AT CIA HEADQUARTERS IN NEARBY LANGLEY, VA.

THE PRESENTATION WAS CARRIED BY CLOSED-CIRCUIT TELEVISION TO OTHER CIA WORKERS GATHERED IN CAFETERIAS AND OFFICES THROUGHOUT THE COMPLEX.

LATER AT THE WHITE HOUSE, CASEY MET WITH PRESIDENTIAL COUNSELOR EDWIN NEESE AND DEPUTY CHIEF OF STAFF MICHAEL DERVER, WITH DEPUTY SECRETARY OF STATE WILLIAM CLARK SITTING IN.

"HE'S NOT RESIGNING, I KNOW THAT," SAID WHITE HOUSE SPOKESMAN LARRY SPEAKES.

IT WAS THE FIRST TIME CASEY HAD BEEN AT THE WHITE HOUSE SINCE THE START OF HIS TROUBLES. SPEAKES AGAIN SAID, REAGAN IS BEHIND CASEY "100 PERCENT," BUT HAS NOT YET MET WITH HIM TO DISCUSS THE SENATE INVESTIGATION.

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WALL STREET JOURNAL  
28 July 1981

## Beyond Mr. Casey

The mystery about the controversy engulfing CIA Director William Casey has been that it involves a company that was formed in 1968 and went bankrupt in 1971, and known to be a subject of litigation when Mr. Casey was confirmed not only for his present job but for several previous appointments. If the lawsuit wasn't a big issue then, why is it now?

The mystery is dispelled by the new revelation that several Congressmen have written a letter to the President protesting Mr. Casey's plans for a covert operation. So the underlying battle is not about a decade-old bankruptcy. It is about whether the Reagan administration runs U.S. foreign policy.

The precise details of the covert-operations issue will probably never be known; a White House spokesman confirmed the existence of the letter but denies that it concerned Libya, as reported by Newsweek magazine. Newsweek's plausible-sounding report is that the CIA planned a campaign of propaganda, the formation of a counter-government and paramilitary action with the "ultimate" purpose of removing Libyan dictator Moammar Khadafy. It added that some congressional intelligence committee members read this as a code word for assassination.

Now, trying to overthrow a foreign government is not the kind of thing you rush into overnight, and quite possibly the particular plans were hare-brained. On the other hand, we think it entirely appropriate that the CIA be exploring the possibility of a coup in Libya, and be willing to lend a hand where practical. And we expect that even the most careful plans to this effect would be undermined by a covert campaign within the U.S. government.

When Mr. Casey arrived at the CIA, for instance, one of his first problems was a revolt over his request for a second report on Soviet complicity in terrorism, promptly leaked to the press as evidence he was introducing politics to corrupt impeccably objective analysis absolving the Soviets. Too bad some politician wasn't around to ask for another report during all those years when CIA analysts missed the huge Soviet missile build-up that now threatens the land-based part of our strategic deterrent.

Any hint of personal scandal is obviously highly useful to those within the agency and on the hill who oppose U.S. covert action and a hard line toward the Soviets. It must be said, of course, that they have been given plenty of ammunition—in the misguided appointment and subsequent resignation of Max Hugel as CIA operations head, in some recent rulings in the bankruptcy litigation, and in the interaction between Mr. Casey and some in Congress. Thus opposition has spread beyond the doves to the likes of Senator Barry Goldwater.

If the administration had understood the kind of battle it was entering, clearly it would not have appointed someone of Mr. Casey's background to this exceptionally sensitive post. The new-venture world in which he has moved is the very essence of capitalism at work, but this is often a messy process. Few new ventures become the next Polaroid or Xerox, and many collapse into a heap of bad feeling and litigation. We expect that in the end Mr. Casey will be found to have done little wrong, but clearly there is enough in the record to sustain months of damaging investigation.

If at some point Mr. Casey decides to step aside for the good of the agency and the administration, it will be vastly important to preserve the administration's foreign policy options and its ability to forge the kind of intelligence service it wants. The policy-oriented parts of the campaign against him should not be rewarded, and this consideration should weigh heavily in the choice of a successor.

The first qualification of any new CIA head should be an established record as a supporter of the kind of foreign policy change Mr. Reagan offered in his presidential campaign. He should of course also have general toughness and solid technical credentials, particularly experience in wrestling with foreign affairs and national security bureaucracies. He certainly should have a clean personal record, and it would be helpful if he had some experience in dealing with the politics of scandal. A long shopping list, but not one that should prove impossible.

If Mr. Casey does go, the administration is not likely to control its foreign policy fully if it merely turns the CIA over to the intelligence professionals, no matter how qualified technically or personally. And as for improving Mr. Casey's chances of staying, we suspect no explanations of his investments would do as much as Mr. Reagan's making clear here and now that any successor, if from a different background, would be just as much a political and policy loyalist.

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WASHINGTON POST  
28 July 1981

## Hugel's Plan In Mauritania Drew Protest

By Lou Cannon  
Washington Post Staff Writer

The proposed CIA operation planned by former clandestine operations chief Max Hugel that provoked a rare written protest from the House Intelligence Committee to President Reagan dealt with Mauritania, not Libya, administration sources said yesterday.

The sources declined to disclose the nature of the operation except to give the location as Mauritania, a poor, Moslem and military-ruled west African nation that earlier this year was the target of a pro-Moroccan coup.

White House deputy press secretary Larry Speakes yesterday denied the accuracy of a Newsweek report that said the Central Intelligence Agency had planned "a large-scale, multiphase and costly scheme to overthrow the Libyan regime" of Col. Muammar Qaddafi.

"...The briefing described by Max Hugel in the current issue of Newsweek never took place," Speakes said at the daily White House briefing.

He declined to give any more information, saying: "We don't go into the business of discussing our intelligence."

The White House departed from its usual no-comment policy in an apparent effort to assist beleaguered CIA Director William J. Casey, whose judgment was questioned by the Newsweek article. Casey's judgment was even more strongly questioned by the House committee. According to sources, members of Congress of both parties thought the plan, whatever it was, ill-prepared and "bizarre."

Hugel has resigned, following allegations of improper business activities. But the members of the committee have little confidence in Casey and wanted to be on record with a direct protest to President Reagan.

Under federal statutes dealing with congressional oversight of covert activities, the president must make a finding that such activities are necessary for national security.

Then the CIA director is obligated to inform the House and Senate Intelligence committees. While the committees cannot approve or disapprove such actions, their comments could lead to a change in plans.

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LOS ANGELES TIMES  
28 JULY 1981

## Lawyer Named for Casey Probe

Intelligence Panel Hires  
Watergate Investigator

By ROBERT L. JACKSON  
and JOHN H. AVERILL,  
*Times Staff Writers*

WASHINGTON — Former Watergate investigator Fred D. Thompson was appointed special counsel Monday to the Senate Intelligence Committee, signaling a thorough and possibly lengthy investigation of CIA Director William J. Casey.

Thompson, 39, a friend of and campaign worker for Senate Majority Leader Howard H. Baker Jr. (R-Tenn.), will delve into allegations about Casey's past business affairs and his controversial appointment of Max Hugel, who two weeks ago resigned under fire as the CIA's chief of clandestine services.

Thompson, who directs a law firm with offices in Washington and Nashville, is a slow-speaking Tennessean with a reputation for fairness and attention to detail. The face of the tall, broad-shouldered man with rough-hewn features became familiar to millions of Americans during the nationally televised 1973 Senate Watergate hearings, as he sat beside Baker and puffed on a pipe.

Thompson immediately joined other attorneys for the committee Monday in sifting through a 20-inch-high stack of court documents, financial records and explanatory statements that Casey gave the panel in confidence on Sunday.

The committee, which is headed by Sen. Barry Goldwater (R-Ariz.), will meet in closed session today to discuss the course of its inquiry and to consider a preliminary staff report on allegations involving Casey, a lawyer and former businessman who directed Ronald Reagan's presidential campaign. Last week,

Goldwater publicly urged Casey to resign from the spy agency.

In an oblique slap at Goldwater and others who have urged Casey to quit, Sen. John H. Chafee (R-R.I.), a member of the Intelligence Committee, said in a statement Monday that "I do not believe in hanging a man—and then giving him a fair trial."

Chafee said that he will reserve judgment on Casey pending the inquiry and added, "We have a new counsel, and I anticipate it will be a while before we can come to any conclusions."

At the White House, press spokesman Larry Speakes said President Reagan hoped the Senate inquiry "will be completed shortly in spite of Mr. Thompson's being retained there."

Casey has been under fire since Hugel, a businessman friend of his, resigned two weeks ago after allegations were published that he had sought to manipulate the stock of an electronics firm he owned in 1974.

In the wake of Hugel's departure, federal court rulings came to light in New York and New Orleans in which judges had criticized Casey's own conduct as a past director of Multiponics Inc., a now-defunct farming firm. Casey and other directors, according to the rulings, engaged in a pattern of "self-interest" in running Multiponics, and

concealed information from stockholders.

In a related matter Monday, the White House denied a Newsweek report that Casey had approved a CIA plan to overthrow Libyan leader Moammar Kadhafi.

Speakes acknowledged that the House Intelligence Committee had sent a letter to the White House objecting to a proposed C.A. operation overseas, but he said that "the letter doesn't concern Libya."



## Senate panel meets today

# Ex-Watergate counsel hired for Casey probe

By Curt Matthews  
Washington Bureau of The Sun

Washington—The Senate Select Committee on Intelligence hired a former Watergate investigator yesterday to help direct its probe of William J. Casey, the director of central intelligence.

Meanwhile, members of the committee staff reviewed documents—provided Sunday by Mr. Casey—which will, he says, put to rest the controversy swirling about him.

Fred Thompson, who served as minority counsel to the Senate Watergate Committee in 1973, has been hired as a special counsel by the intelligence committee, according to a spokesman, and arrived in Washington yesterday morning. Mr. Thompson, a Nashville lawyer, worked closely with Senator Howard H. Baker, Jr. (R, Tenn.), now the majority leader, throughout the Watergate Committee's probe of scandal in the Nixon administration.

Several leading Republicans, including Senator Barry Goldwater (R, Ariz.), chairman of the intelligence committee, have called for Mr. Casey's resignation because of his involvement in questionable financial deals before he entered the Reagan administration and for "bad judgment" in naming Max Hugel deputy director of the CIA.

Mr. Hugel was forced to resign his job July 14 following disclosures of questionable stock dealings in the mid-1970s. Mr. Casey's appointment of Mr. Hugel was improper, Mr. Casey's critics say, because it placed a man vulnerable to blackmail in a highly sensitive government post.

The Senate intelligence committee will meet today in closed session to consider the allegations brought against Mr. Casey and perhaps to hear sworn testimony from him about the charges.

Mr. Casey "stands ready to testify and is eager to do so, but has not yet been formally invited," Dale Peterson, public affairs officer for the CIA, said yesterday.

The intelligence committee hearing today was specifically called to review information about Mr. Casey's financial background and his appointment of Mr. Hugel.

For that reason, it is unclear how far the committee may be able to go in addressing a new charge yesterday about Mr. Casey's handling of his CIA job. According to *Newsweek* magazine, Mr. Casey was behind a secret plan formulated by the CIA to overthrow Libyan leader Muammar el Kadhafi.

The plan reportedly was so disturbing



FRED THOMPSON  
... hired by Senate committee

to some members of the House Intelligence Committee that they protested to the White House.

Although Mr. Casey has expressed confidence that the allegations against him can be quickly dispelled, the committee's hiring of a special counsel indicated it may be gearing up for a protracted confrontation with the 68-year old CIA director.

The broader and more elaborate the committee's probe, the less likely it is that he will be able to remain as head of the CIA. He accepted Mr. Hugel's resignation not because the allegations had been sustained but because the charges themselves had become "a burden" for the CIA and the Reagan administration.

President Reagan initially expressed his "full confidence" in Mr. Casey's ability to run the nation's sensitive spy operation. Recently, however, statements by the president and his top aides have suggested that Mr. Casey's continued tenure as head of the CIA is up to the members of the intelligence committee.

Several members of the committee, in addition to Mr. Goldwater, have said Mr. Casey should resign on the basis of information already on the record. The majority of the committee, however, has withheld judgment on the charges and hearing directly from Mr. Casey.

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CHRISTIAN SCIENCE MONITOR  
28 July 1981

### Senate unit gets counsel in its inquiry on Casey

Washington

The Senate Intelligence Committee named Fred Thompson, a Republican counsel during the Watergate hearings, to head a stepped-up investigation of embattled CIA Director William Casey. Sources said Mr. Casey will be invited to testify before the panel, which is examining the his past business dealings.

Additional doubt concerning Casey surfaced in a report by Newsweek magazine that he approved a CIA operation to overthrow the Libyan leader, Muammar al-Qaddafi. It said the House Intelligence Committee was concerned that the plan implied the agency intended to assassinate the Libyan leader. The White House termed the report "incorrect."

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FPM-CASEY; BJT:630

CASEY INQUIRY EXPECTED TO LAST INTO SEPTEMBER

AEDS: COMMITTEE MEETS IN CLOSED SESSION AT 9 A.M. EDT; TOP PROSPECTS  
UNCERTAIN.

LASERPHOTO WX1

BY MICHAEL J. SNIFFEN

ASSOCIATED PRESS WRITER

WASHINGTON (AP) - THE SENATE INTELLIGENCE COMMITTEE INQUIRY INTO CIA DIRECTOR WILLIAM J. CASEY'S FITNESS IS EXPECTED TO STRETCH INTO SEPTEMBER; AND THE PANEL MIGHT SEEK HIS RESIGNATION EVEN IF NO CRIMINAL WRONGDOING IS FOUND; SOURCES CLOSE TO THE INVESTIGATION SAY.

AS CASEY CONTINUED VISITING SENATORS TO RALLY SUPPORT AND THE WHITE HOUSE ISSUED A FRESH VOTE OF CONFIDENCE FROM PRESIDENT REAGAN; THE INTELLIGENCE COMMITTEE PUT VETERAN WATERGATE INVESTIGATOR FRED THOMPSON IN CHARGE OF THE PROBE.

THOMPSON, JOINED BY REPUBLICAN COMMITTEE CHAIRMAN BARRY GOLDWATER OF ARIZONA AND RANKING DEMOCRAT DANIEL P. MOYNIHAN OF NEW YORK, HEARD A PRELIMINARY STAFF REPORT MONDAY ON CASEY'S TANGLED PAST BUSINESS PRACTICES AND HIS APPOINTMENT OF BUSINESSMAN MAX HUGEL TO LEAD CIA ELANDESTINE SERVICES.

THE FULL COMMITTEE WAS TO HEAR THE BRIEFING, BASED ON A REVIEW OF CIA AND FBI FILES, AT A CLOSED SESSION TODAY.

THOMPSON, 38, WHO SERVED AS REPUBLICAN COUNSEL TO THE SENATE WATERGATE COMMITTEE IN 1973, IS A CLOSE ASSOCIATE OF SENATE MAJORITY LEADER HOWARD H. BAKER JR. OF TENNESSEE. "THIS GIVES BAKER MORE INPUT INTO THE COMMITTEE," ACCORDING TO ONE SOURCE, WHO ASKED NOT TO BE IDENTIFIED.

ONE SOURCE SAID THE STAFF REPORT WAS VERY PRELIMINARY AND BASICALLY OUTLINED AREAS TO PURSUE. THIS SOURCE SAID THAT EFFORT WAS EXPECTED TO TAKE TWO TO FOUR WEEKS, WHICH WOULD POSTPONE THE COMMITTEE'S FINAL CONCLUSIONS UNTIL CONGRESS RETURNS FROM ITS AUGUST VACATION IN EARLY SEPTEMBER.

CASEY AND THE WHITE HOUSE HAD HOPED TO EXTINGUISH THE CONTROVERSY BEFORE CONGRESS LEAVES TOWN.

THOMPSON PROMISED "A THOROUGH INQUIRY" BUT ADDED: "I HOPE IT WILL BE RESOLVED IN THE NEAR FUTURE. I DON'T THINK IT SERVES ANYBODY'S PURPOSES TO HAVE A LONG DRAWN-OUT AFFAIR." HE DECLINED TO COMMIT HIMSELF IN ANY MORE DETAIL ON TIMING.

Page 1 of 2

# CASEY

AT THE WHITE HOUSE; DEPUTY PRESS SECRETARY LARRY SPEAKES SAID REAGAN HOPED THE QUESTIONS ABOUT CASEY WOULD BE RESOLVED SHORTLY. "IN SPITE OF MR. THOMPSON'S BEING RETAINED THERE."

"THE PRESIDENT STILL HAS FULL CONFIDENCE IN MR. CASEY AND HOPES THIS MATTER WILL BE CONCLUDED SHORTLY," SPEAKES SAID.

ASKED WHETHER HE THOUGHT CASEY COULD CONTINUE TO BE EFFECTIVE IN HIS JOB; SPEAKES SAID: "WE THINK SO. HE'S A DISTINGUISHED PUBLIC SERVANT."

BASED ON WHAT IS KNOWN TO DATE; ONE WELL-PLACED SOURCE SAID KEY LEADERS ANTICIPATE THE PROBE WOULD PRODUCE "NO SMOKING GUN OF CRIMINAL WRONGDOING BUT SOME AREAS OF QUESTIONABLE ACTIVITY AND JUDGMENT."

IN THAT CASE; THIS SOURCE SAID; THE COMMITTEE MIGHT WELL CONCLUDE THAT CASEY CANNOT SERVE EFFECTIVELY. IN THE VIEW OF THESE LEADERS; "HE'S BEEN TAINTED AND NO MATTER WHAT THE INVESTIGATION SHOWS THEY WON'T BE ABLE TO WASH THE TAINT OFF;" THE SOURCE SAID.

CASEY HAS BEEN CONDUCTING A COUNTEROFFENSIVE. HE HAS DELIVERED A 20-INCH-THICK STACK OF DOCUMENTARY MATERIALS TO THE COMMITTEE; HAS REQUESTED A CHANCE TO REBUT ANY ALLEGATIONS PERSONALLY AT A HEARING AND HAS LOBBIED SENATORS FOR THREE DAYS.

HE ALSO DISMISSED AS "NONSENSE" A REPORT THAT HE APPROVED A COVERT ACTION TO TOPPLE THE GOVERNMENT OF MOHAMMAR KHADAFY IN LIBYA. SOURCE HAVE SAID SOME HOUSE INTELLIGENCE COMMITTEE MEMBERS OBJECTED TO THE PLAN IN A RECENT LETTER TO REAGAN.

CIA SPOKESMAN DALE PETERSON SAID CASEY ADDRESSED 1,500 EMPLOYEES AT CIA HEADQUARTERS IN SUBURBAN LANGLEY, VA.; FOR A HALF-HOUR TONDAY AFTERNOON AND REITERATED HIS CONTENTION THAT HIS FINANCIAL DEALINGS ARE NOT ABNORMAL FOR SOMEONE IN SPECULATIVE VENTURES.

ACCORDING TO PETERSON; CASEY SAID HIS APPOINTMENT OF HUGEL WAS CAREFULLY THOUGHT OUT AND THAT HIGH AGENCY OFFICIALS CONCURRED IN THE CHOICE. PETERSON DESCRIBED THE TALK AS "VERY UPBEAT" AND SAID CASEY RECEIVED A STANDING OVATION.

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ON PAGE A-15

NEW YORK TIMES  
23 JULY 1981

IN THE NATION

# A Spoilsman's Creed

By Tom Wicker

Important United States Senators are demanding the resignations of two of President Reagan's Cabinet-level appointees — William J. Casey, Director of Central Intelligence, and James G. Watt, Secretary of the Interior. But in both cases, the Senate itself bears much responsibility for the controversies.

Mr. Casey, for example, is accused of irregularities in his business career that, if proven, would make it less than fitting for him to continue in high office — particularly as head of the C.I.A., with responsibilities for dealing on a basis of trust with the American intelligence community and with the intelligence agencies of foreign governments.

But the primary allegation that led to the inquiry into Mr. Casey's business dealings had to do with an old case, dating back to 1968, that had been no secret at the time or since. The current flap about it arose from a court judgment last spring that Mr. Casey had been among those who "omitted and misrepresented" facts to potential investors in Multiponics, Inc.

But when Mr. Casey was nominated as C.I.A. Director, the Senate made no great effort to look into the Multiponics case. Nor did the Senate then inquire into another matter of public record now being raised against Mr. Casey — charges that in 1974 he contradicted or "forgot" his own grand jury testimony when appearing as a witness in the trial of former Attorney General John N. Mitchell on charges of having tried to aid the fugitive financier, Robert L. Vesco.

Perhaps neither of these matters would have caused much concern had it not been for Mr. Casey's appointment of Max C. Hugel, a business and Reagan campaign associate, to head the C.I.A. department that handles covert operations. Mr. Hugel was widely regarded as unqualified, and was quickly forced to resign when his own involvement in questionable business dealings was disclosed.

The Hugel affair also seems to have turned the potent "old boy network" within the C.I.A., together with its admirers in the Senate Intelligence Committee, against Mr. Casey — a brusque

sort who may not have ingratiated himself sufficiently either at the agency's headquarters or on Capitol Hill.

But it seems unlikely that even the Hugel fiasco could have gotten Mr. Casey into such hot water without the charges against his own business record, and the question of whether he had fully disclosed his financial affairs. These matters could and should have been aired at his confirmation hearings earlier this year.

Secretary Watt's integrity is not at issue in the controversy surrounding him, but in a real sense his background is. That background — as an outspoken and professional advocate of "development" of resources rather than environmentalism — was perfectly well known to the Senate when it confirmed Mr. Watt with little more discussion than it gave to Mr. Casey.

Now the Wilderness Society has called for Mr. Watt's resignation, accusing him of exploitation of the nation's resources. Former Interior Secretary Cecil Andrus has demanded Mr. Watt's replacement with someone who would give "proper stewardship" to the public lands. Senator Alan Cranston, the Assistant Minority Leader, says he wants Mr. Watt "stopped now."

Mr. Cranston, one of only 12 Senators who voted against confirmation, said he'd hoped the Secretary would grow in office, but that after six months Mr. Watt "has exceeded even the worst-case estimate of his harshest critics."

That's true, and even Republicans in the West apparently are suffering political qualms about Mr. Watt's attitudes and actions. No wonder; a June Harris Poll of Western states — not one of which Ronald Reagan lost last November — showed Democrats now leading in the 1982 Congressional races by a 55 to 36 margin. Tirso del Junco, the California Republican Chairman, wrote Mr. Watt that hostility to his plan to open four more areas off that state's coast to oil leasing might prevent their party from winning the governor's office next year. (A Federal District Court rejected part of that plan yesterday.)

But when I asked about the Secretary's performance, Ed Meese, the President's right-hand man, told me: "Jim Watt's doing just what Ronald Reagan wants him to do."

Mr. Watt is doing just what the Senate of the United States should have expected him to do, too. Its confirmation gave him jurisdiction over 350 million acres of Federal land, the national parks and wilderness areas, offshore oil leasing, stripmining, fish and wildlife, reclamation and endangered species. His record and views on such sensitive environmental concerns, transcending the political attitudes of any transitory Presidential Administration, were open to all and candidly expressed.

As part of a co-equal branch, the Senate has a responsibility co-equal with that of the President; he may nominate but the Senate must consent. That responsibility is slighted or defaulted when the Senate, as in the instances of Mr. Casey and Mr. Watt, acquiesces in the spoilsman's creed that a President — even a popular new President — is entitled without question to put anyone he chooses into the most powerful Government offices.

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ON PAGE A-1

WASHINGTON STAR (GREEN LINE)  
28 JULY 1981

## Prosecutor Joins Senate Panel for Probe of Casey

By Henry S. Bradsher  
Washington Star Staff Writer

The Senate committee investigating CIA Director William J. Casey has hired a special counsel, signaling that the probe could be a lengthy one.

Fred Thompson, a 38-year-old partner in a Nashville law firm who served as a GOP special counsel during the Watergate hearings eight years ago, was chosen by the Senate Select Committee on Intelligence to aid its probe of the professional and personal problems of Casey.

Casey held a strategy session with top presidential aides at the White House yesterday, and he was warmly received by his own people at the agency when he met with them to outline his situation.

At the White House later, he met with counselor Edwin Meese and Deputy Chief of Staff Michael Deaver, with Deputy Secretary of State William Clark sitting in. It was the first time Casey had been in the White House since the start of his troubles.

Casey told a mass meeting of his employees that he was confident of being exonerated and had every intention of staying on.

According to a CIA official present, Casey "gave a presentation of the current situation concerning his business activities (and) expressed confidence that the investigation by the Senate will exonerate him."

The 45-minute meeting was held in the CIA's white, igloo-shaped auditorium just outside its main headquarters building at Langley, Va. Casey's presentation also was aired over the agency's internal television system.

The Senate investigators have been studying Casey's appointment of Max C. Hugel as the head of CIA clandestine operations without normal security clearance and allegations about irregular business dealings in the CIA director's past.

The Senate panel meets today to review materials on Casey and then

decide how to proceed with its investigation.

A strong indication that the answers Casey has already supplied to committee questions would not close the case was the naming yesterday of Thompson as special counsel.

Thompson was minority counsel at the Watergate hearings in 1973 and a special GOP counsel at confirmation hearings this year for Secretary of State Alexander M. Haig Jr.

Intelligence Committee Chairman Barry M. Goldwater, R-Ariz., and another committee member, William V. Roth, R-Del., called last week for Casey's resignation on the basis of information already public. They were joined by Senate majority whip Ted Stevens of Alaska, but Henry Jackson, D-Wash., and other senators urged a full hearing for Casey before any conclusions are drawn.

Both President Reagan, through a spokesman, and Vice President George Bush reiterated their support for Casey yesterday.

"The president still has full confidence in Mr. Casey and hopes this matter will be concluded shortly," deputy White House press secretary Larry Speakes said at the White House.

Bush, who was CIA director in 1976 and 1977, said in Atlanta that "Mr. Casey has my full support and will continue to have it until and unless there is some evidence that would change one's view."

Goldwater and the committee's deputy chairman, Daniel Patrick Moynihan, D-N.Y., received a summary yesterday of their investigators' findings on Casey. Committee sources said materials studied so far did not indicate any significant new problems not already publicized.

The intelligence committee was holding a closed meeting in the Capitol today "to decide the extent to which it wants to go" in pursuing the Casey investigation, a committee source said yesterday. "We anticipate that Casey will come up here at some point and state his case," the source added.

In a letter to the committee Sunday, Casey asked for "a committee

hearing as soon as possible." The committee was deciding on that request today.

Thompson said yesterday, "I expect it to be a thorough inquiry, but I hope it will be resolved in the near future. I don't think it serves anybody's purposes to have a long, drawn-out affair."

The lawyer began meeting the 15 committee members and "dipping into materials that Casey provided in response to our questions," a committee official said. In reply to questions, Casey sent the committee on Sunday 29 copies of a 10-volume reply.

Only three committee staff members have been working full time on the investigation so far, Thompson said. He said he might hire one or two more.

Thompson was hired because neither Goldwater nor Moynihan is a lawyer, the committee official said. Neither is the committee's staff director, John Blake, or its minority staff director, Abram Shulsky.

The committee has a minority legal counsel, Peter Sullivan, but the post of majority legal counsel has been vacant, and Thompson will in effect fill it during the inquiry.

Goldwater's call Thursday for Casey's resignation was based primarily on the Hugel case. Hugel, a self-made New Hampshire millionaire businessman, helped Casey run Reagan's 1980 presidential campaign, and Casey then took him into the CIA first as a personal assistant and then as the agency's spymaster.

The latter assignment outraged many past and present CIA professionals, who felt Hugel lacked the knowledge and background to run the agency's most sensitive affairs.

Two weeks ago publicity about Hugel's business affairs, including a charge of stock market manipulation, forced him to resign under White House pressure. Hugel denied the charge.

In the aftermath, it became known that he had not been subjected to the normal lengthy, detailed and careful security checks given such appointees.

A further repercussion of the revelations about Hugel was new attention to old legal problems surrounding Casey's rise as a self-made millionaire. Charges have been made of questionable business practices, which Casey denied, and failure to fully disclose information during his Senate confirmation for the CIA case, a federal judge found that Casey had misled investors.



ST. LOUIS POST-DISPATCH (MO)  
28 JULY 1981

## More Than Just Mr. Casey

CIA Director William J. Casey is getting the congressional hearing he sought, and while the Senate Intelligence Committee is asking him questions, it might ask itself some.

No doubt the first questions to be asked of Mr. Casey will concern his former business dealings. Last year, a federal judge held that Mr. Casey and others had driven a New Orleans farming firm into debt by managing it in a "pattern of self-interest." In May, another federal judge ruled that Mr. Casey and other directors had knowingly misled potential investors in the firm. These events have only recently become a matter of general knowledge, and Mr. Casey insists that his responses will lay the matter to rest.

Even so, the committee will have to ask questions about Mr. Casey's own judgment. He picked as his deputy in charge of the CIA's clandestine operations a man almost totally devoid of experience in intelligence affairs. The appointment of Max Hugel, a friend and political associate, turned into a disaster because of allegations that Mr. Hugel had engaged in questionable business dealings. He resigned, but his appointment alone was enough to induce three Republican senators, Goldwater of Arizona, Roth of Delaware and Stevens of Alaska, to call on Mr. Casey to resign.

A question the committee ought to resolve for itself is whether any politician should be placed in charge of the CIA. Mr. Casey managed President Reagan's campaign, and if the president had named him to run the postal system, for example, there would be less question about it. But politics have no

place in directing an agency that presidents should be able to count on for objective advice essential to the formulation of foreign policy. The CIA is not there to tell chief executives or anyone else what they want to hear. Yet the CIA and its reports were sometimes perverted in that manner during the Vietnam War.

Moreover, since the Reagan administration and Mr. Casey himself have given evidence of wanting to return to the emphasis on covert operations, which is to say "dirty tricks," the Senate Intelligence Committee might ask itself if that is what the CIA ought to be doing. Members of the House Intelligence Committee have sent a letter to the president protesting a covert action that Mr. Casey approved.

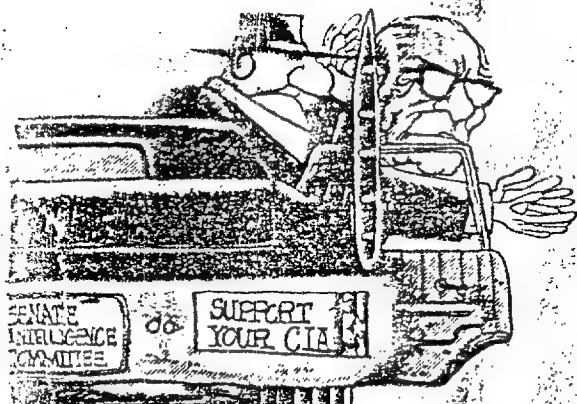
Newsweek magazine says the action was designed to overthrow Libyan leader Moammar Khadafy through a campaign of disinformation and a paramilitary campaign. A White House spokesman says that the letter exists but does not concern Libya.

The Senate committee ought to get to the bottom of this. It would be ironical for an administration that has labeled Khadafy a leader in terrorism to apply what amounts to terrorist tactics against him. And if Libya was not the subject of the House members' unusual protest, what was?

More than Mr. Casey stands in question here. The fundamental question is whether the CIA ought to act as a dependable intelligence-gathering agency or should stray back into a reckless past that distorted its intended function.

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JACKSONVILLE TIMES-UNION (FL)  
28 JULY 1981

GAMBLE CASEY TO ALABAMA TIMES-UNION



'We're gonna give you the benefit of the doubt, Casey!  
If you float, we'll throw you a rope!'

ARTICLE APPEARED  
ON PAGE A-3

CHICAGO TRIBUNE  
28 July 1981

# Watergate prober to run Casey inquiry

WASHINGTON (AP)—The Senate Intelligence Committee Monday hired a veteran Watergate investigator to run its inquiry into CIA Director William J. Casey, who faces a new controversy over a CIA covert action plan that sources said was aimed at toppling Libyan strongman Moammar Khadafy.

A committee spokesman said Nashville attorney Fred Thompson began work Monday as special counsel for the Casey inquiry. Thompson, a close associate of Senate Majority Leader Howard Baker, was minority counsel to the Senate Watergate Committee in 1973.

Earlier this year, he represented Republicans during confirmation hearings on Secretary of State Alexander Haig.

The hiring of Thompson followed a weekend in which Casey stepped up his efforts to keep his job.

MEANWHILE, OFFICIALS of both the Senate and House intelligence committees declined to comment on the reported Libyan operation.

One Republican source said Sunday night that Casey recently presented the House Intelligence Committee with a proposal that the CIA try to undermine the radical Arab leader.

Rep. Clement J. Zablocki (D., Wis.), a member of the committee, said Chairman Edward P. Boland (D., Mass.) and others on the panel had sent a letter to President Reagan protesting a proposed covert action that Casey had approved.

Zablocki declined to identify the target of the proposed covert action, but the Republican source, who asked not to be identified, said it was Libya.

ALSO ON SUNDAY, Casey asked the Senate Intelligence Committee to allow him to appear at a committee hearing as soon as possible to try to dispel questions about his past business dealings, his management of the agency, and calls for his resignation by three key Senate Republicans.

Casey sent each member of the committee a 20-inch stack of written material Sunday, one day earlier than he had promised.

The material was a response to four pages of questions the committee sent Casey last week regarding his role as a director of a failed New Orleans farming venture called Multiponics, Inc., and his appointment of Max Hugel, a businessman inexperienced in intelligence, to head the CIA's spy network, CIA spokesman Dale Peterson said.

Casey apparently speeded up his response when the committee staff indicated it would finish a preliminary report on its inquiry Monday, for presentation to a closed committee meeting Tuesday. Casey had said Friday that his response would put the entire controversy to rest.

NEWSWEEK MAGAZINE reported that the covert operation was designed to overthrow Khadafy through a "disinformation" campaign to embarrass him, creation of a countergovernment to challenge his leadership, and a paramilitary campaign.

The magazine said the CIA goal was Khadafy's "ultimate" removal and that House committee members read this to mean assassinating him. The magazine said the committee members mistrusted Casey's denial of any intent to kill Khadafy, described by Reagan as a prime supporter of international terrorism.

Rep. C.W. Young (R., Fla.), a committee member, declined to discuss the Newsweek report but said, "It is definitely against our policy to engage in any termination of any individual." Assassination is barred by an executive order issued by former President Jimmy Carter.

AT THE White House Monday, Larry Speakes, deputy presidential press secretary, said the Newsweek story "is incorrect. The letter (to Reagan) exists

but it does not concern Libya."

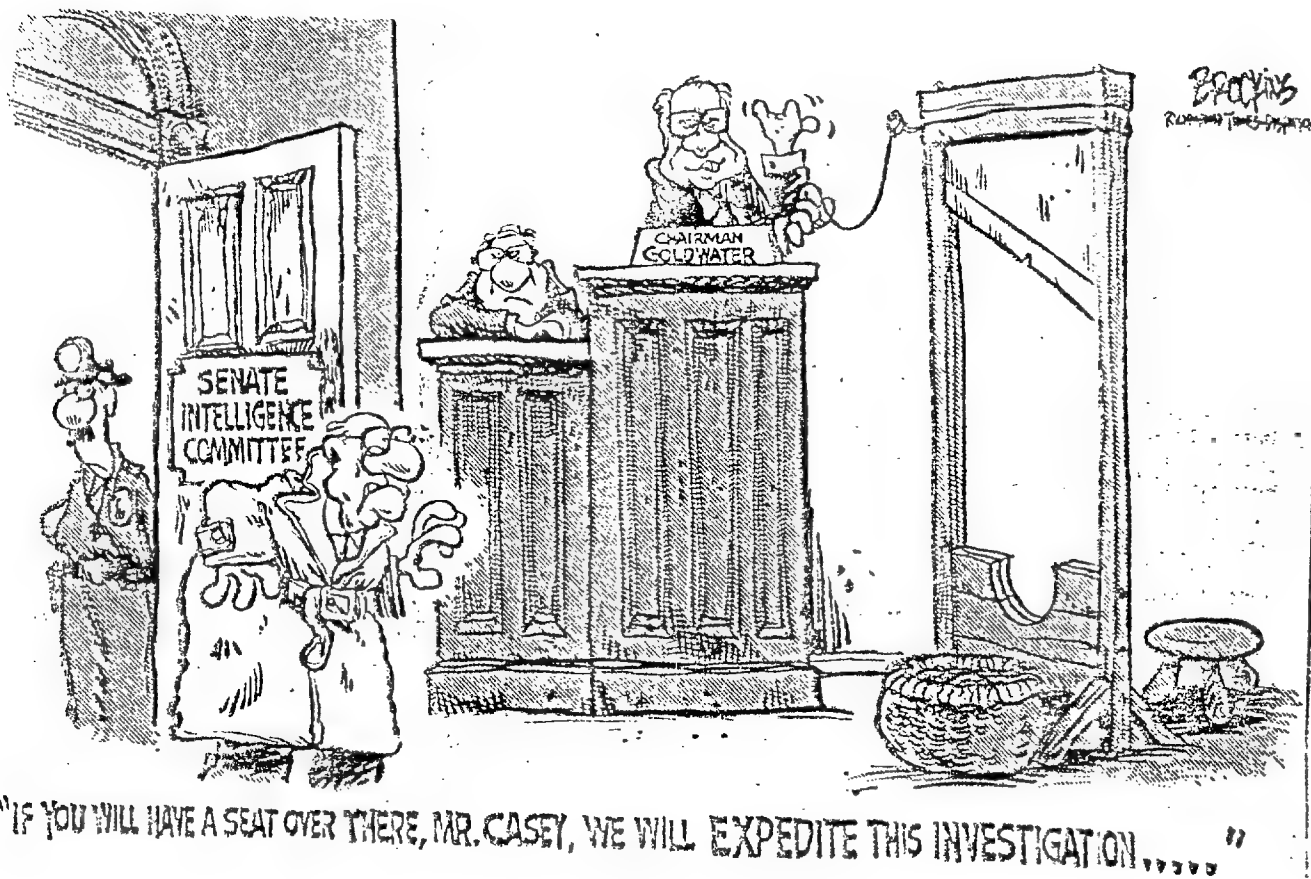
The Libyan news agency said earlier this month that Egypt planned to invade Libya with help from Israel and the United States in an effort to overthrow Khadafy. Egypt and Israel denied the report, and the State Department declined to comment.

There was no immediate response to Casey's request for an early hearing, but one source close to the committee said it was likely Casey would be called to testify.

Last week, Goldwater, another committee Republican, Sen. William V. Roth of Delaware; and Ted Stevens of Alaska, deputy GOP Senate leader, called on Casey to resign.

But buoyed by a reaffirmation of support from Reagan, Casey opened a counteroffensive that included visits to senators and two extraordinary weekend news conferences by the CIA's general counsel, Stanley Sporkin, and prominent Republicans who support Casey.

03/11/28 : CIA-RDP91-00901R  
RICHMOND TIMES-DISPATCH  
28 July 1981



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NEW YORK TIMES  
28 JULY 1981

## Veteran of Senate Investigations To Aid Panel's Inquiry on Casey

By JUDITH MILLER  
Special to The New York Times

WASHINGTON, July 27 — Senator Barry Goldwater announced today that the Senate Select Committee on Intelligence had retained Fred D. Thompson as special counsel for what seems likely to be an extended examination of the financial dealings of William J. Casey, Director of Central Intelligence.

Mr. Thompson, 38, a Nashville lawyer and close associate of the Senate majority leader, Howard H. Baker Jr. of Tennessee, was Republican counsel for the Watergate investigation and again in the Senate Foreign Relations Committee hearings on the nomination of Secretary of State Alexander M. Haig Jr.

Mr. Thompson will be a consultant while the panel reviews the "legal and other matters" affecting Mr. Casey, a committee spokesman said. And Senator Baker, who met with Mr. Thompson over the weekend, told reporters that the committee intended to finish its review "promptly."

However, Senator John H. Chafee, Republican of Rhode Island, a member of the panel, said that he thought "It will be a while before we can come to any conclusions." And Senate investigators as well as supporters of Mr. Casey seemed today to be preparing for a long investigation. Both Mr. Casey's financial dealings and his management of the Central Intelligence Agency, as symbolized by the selection of Max C. Hugel as chief of clandestine operations, were subjects of the investigation.

Mr. Hugel, who came to the agency with no experience in espionage, has resigned after his former business associates raised questions about his dealings.

In his statement, Senator Chafee said, as have many committee Democrats, that he would wait to hear a committee staff review at a closed session tomorrow.

"I do not believe in hanging a man — and then giving him a fair trial," Mr. Chafee said, in implicit criticism of Senator Goldwater, who has suggested that Mr. Casey consider stepping down. Meanwhile, Mr. Casey's friends continued to rally support for him.

### Lunches Planned for Casey

William E. Simon, the former Treasury Secretary, George P. Shultz, president of the Bechtel Corporation, and another former Treasury Secretary, Leonard H. Marks, former director of the United States Information Agency, and Geoffrey M. T. Jones, president of the Veterans of the Office of Strategic Services, announced that lunches would be given in New York City Aug. 3 and in Washington Aug. 6 in support of Mr. Casey.

Mr. Jones said that he and other sponsors had sent hundreds of telegrams to friends and former members of the O.S.S. the agency's predecessor, urging them to write to the White House or the Senate committee "to express confidence in the integrity of our friend Bill."

Mr. Jones stressed that this effort was neither financed nor endorsed by his organization, but rather by "individuals who have urged Bill to defend himself."

Mr. Goldwater and Senator Daniel Patrick Moynihan, Democrat of New York and vice chairman of the intelligence committee, planned to meet with Mr. Thompson and other staff investigators today to discuss their staff review.

In a related development, the White House and Senator Baker denied a report in Newsweek magazine that Mr. Casey and Mr. Hugel had approved a large-scale, costly scheme to overthrow the Libyan regime of Col. Muammar el-Qaddafi. Newsweek had said that members of the House Intelligence Committee protested the plan in a letter to President Reagan.

Larry Speakes, the White House deputy press secretary, said that the meeting in which Mr. Hugel was reported to have discussed the plan with committee members "never took place." He also said, in response to questions, "The letter did not concern Libya or Qaddafi."

Senator Baker said that he would "continue to have confidence" in the committee's handling of the case.

In Atlanta, Vice President Bush, a former Director of Central Intelligence, said that he would give Mr. Casey "my full support" unless he received evidence that changed his mind.

The remarks by Mr. Bush, and Senators Baker and Chafee followed the careful line many officials have taken since three Republican Senators called on Mr. Casey to step aside for the good of the agency. Senator Moynihan, for example, who has said that he intends to broaden the investigation to gather information about Mr. Casey's tax payments, stressed today that he, too, would reserve judgment until all of the evidence was in. "I'm playing this down the middle," Mr. Moynihan said.

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WASHINGTON STAR (GREEN LINE)  
23 JULY 1981

## White House Denies Plan To Oust Kadafi

By Henry S. Bradsher

Washington Star Staff Writer

A White House spokesman yesterday denied a report that the CIA proposed to overthrow Libyan leader Muammar Kadafi, while other officials expressed concern that secret information given to the House Intelligence Committee had leaked out — even if in an incorrect version.

A Newsweek magazine report Sunday said CIA Director William J. Casey had approved a plan to overthrow Kadafi. But when the House Permanent Select Committee on Intelligence was briefed in secrecy on the plan, the report said, it was so concerned that it wrote to President Reagan to warn against the plan.

This followed earlier reports in other publications saying that senior officials, including Secretary of State Alexander M. Haig Jr., had approved a plan to encourage or even help several African and Middle Eastern countries to oust Kadafi. The Libyan strongman has been regarded here as a supporter of terrorism and an aggressor against neighboring countries.

Libya recently accused Egypt of plotting to overthrow its government. The Egyptian government dismissed the accusation as a result of heat stroke.

Deputy presidential press secretary Larry Speakes confirmed that Reagan had received a letter from the House committee, but it "does not concern Libya or Kadafi." He added, "The Newsweek story is incorrect."

Fending off further question Speakes said, "We don't go into the business of discussing CIA operations. . . . We do not condone support the assassination of foreign leaders or the overthrow of foreign governments by the United States."

Newsweek said Max C. Hugel briefed the House committee on a plan to embarrass Kadafi with "disinformation," create an alternative government for Libya, and then mount a paramilitary operation to overthrow him. Speakes denied that such a briefing had ever taken place.

At the time of the alleged briefing, Hugel was the CIA deputy director for operations, the post that controls clandestine operations. Hugel, a political aide of Casey's who was appointed to the sensitive job without any experience, resigned two weeks ago under White House pressure following accusations against him of stock market manipulation. He denied the accusations.

Both in the administration and on Capitol Hill, the apparent leakage of some kind of information about plans for a CIA covert operation disturbed a number of officials. By saying that Reagan had received a letter from the House intelligence committee, Speakes apparently confirmed that the committee had in fact been briefed on some proposed clandestine action against a foreign government, even if not Kadafi's.

The leakage raised questions about the ability of the House committee, and indirectly also the Senate Select Committee on Intelligence, to keep the most sensitive kinds of government secrets, some officials said.



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ON PAGE A-44

WASHINGTON STAR (GREEN LINE)  
28 JULY 1981

## MARY McGRORY'S COMMENT

### CIA's Casey Bounces Back — With Help



William Casey's voice came, over the phone, full of gravel and fight.

"I ain't gonna go down," rasped the director of the Central Intelligence Agency.

Strains of "Near-er my God to Thee" have been heard in his vicinity since last Thursday, when Sen. Barry Goldwater, friend of the CIA — and friend, too, many had thought, of Casey — announced that Ronald Reagan's 1980 campaign chairman should resign. The Arizona senator, patriarch of conservative Republicanism, had previously accused the press of making a "mountain out of a molehill" in the Casey case. His sudden reversal made waves. William V. Roth of Delaware and Ted Stevens of Alaska, both Republicans, agreed that Casey should go down. Casey looked like the Ancient Mariner on Capitol Hill, trying to interest senators in his plight.

Questioned on the matter, the president mumbled something about not being able to answer.

Things stood thus, with Casey in the sinking mode, until Saturday, when his friends threw out a lifeline. Paul Laxalt of Nevada, the president's favorite senator, called a press conference and said the ultimate thing to arouse Republican loyalties: if it were not for Bill Casey, Ronald Reagan would not have been elected president.

The president had by then recollected that Casey was "a good and decent man who has served the country for many years and deserves to stay on in government."

Laxalt said it was the sight of the "cannibalizing" of the 67-year-old Casey that moved him. He is proceeding without the help of the White House. The president's Capitol Hill

operatives are entirely engaged in pushing the tax bill.

He does not claim to have turned the tide. But he thinks he has stilled the cries for Casey's head. Casey's old comrades in the OSS have joined the Salvation Army, organizing testimonial lunches in New York and Washington.

Casey is held in "minimum high regard" by the White House staff — he is rumpled and outspoken whereas they are neat and discreet, and has direct access to the Oval Office.

They want to shield the president from a public brawl with Goldwater, who was critically helpful in the nomination of Sandra O'Connor. They don't want Reagan's judgment questioned in his appointment of the head of the most sensitive agency in government. On the other hand, he can't dump a man to whom he is beholden for a rescue operation on the 1980 campaign.

Casey fell overboard when he chose a small, rambunctious entrepreneur named Max Hugel for director of covert operations. A pair of businessmen with whom he had dubious dealings turned him in to the Washington Post. Simultaneously, it was revealed that a judge in New York had accused Casey of having "misled" investors in a firm called "Multiponics."

"I have the two greatest authorities on corporate crime in this country on my side," said Casey. "Irving Pollack and Stanley Sporkin."

Pollack and Sporkin are both former chiefs of the enforcement division of the Securities and Exchange Commission, of which Casey was chairman during the Nixon years. Sporkin spoke at the Save Casey press conference with particular passion, calling the resurrection of the Multiponics charge "horrendous." He assisted in the preparation of a 12-inch pile of documents covering Casey's colorful career in business, which has been delivered to the Senate Intelligence Committee.

"There is nothing to the charges," says Casey. "You ask me what this is all about and I say that is a good question. Some people say it is the Russians. A lot of people say I am stupid. Some people think it is politics. Some people think it is the old-boy network. They think I am out to change too much."

"That Multiponics thing was 13 years ago. The decision was based on my technical responsibility for a document that someone else prepared, something I didn't read closely. If all the people in government were held to that standard, we would be short of leadership in this country."

He doesn't understand Goldwater's abandonment of him.

"He was upset about the Hugel appointment. I guess if I knew then what I knew now, I wouldn't have made it. It was carefully considered, and talked out. I believed, and I still do, that he had some unusual qualities of drive and clarity of judgment. He was a guy who had built up an exemplary plan and distributorship of products on a worldwide basis. Maybe it was bad judgment, but I just don't believe they could turn me out for this. The only thing that could get me was if I can't deal with the committee after this."

Other members of the Senate committee are withholding judgment. Sen. John Chafee, R-R.I., says, "This thing should be slowed up. Don't hang the man until you've given him a fair trial. There is no smoking gun that Barry Goldwater knows about that the rest of us don't."

Sen. Jake Garn, R-Utah, says judgments on Casey have been premature. Invited to guess whether Casey will sink or swim, he says, "On the basis of what I see so far, he would probably stay."

Laxalt puts Casey's chances for survival at 50-50.

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4(Exclusive: 10 P.M. EDT Embargo)

4CASEY ACTS TO CURTAIL IMPROPER ACTS BY FORMER AGENTS

4EOD: FYI; ADDED STARTER NYT PAGE ONE

4BY STEVEN R. WEISMAN

4c. 1981 N.Y. Times News Service

WASHINGTON - William J. Casey, director of central intelligence, has ordered a review of CIA contracts to develop what he called "additional protections" against the transfer of technology and information by former agents to such countries as Libya and the Soviet Union.

In a speech Monday to agency employees, Casey specifically referred to the recent episode in which two former CIA agents, Edwin P. Wilson and Frank Terpil, used their agency connections to travel to Libya to train terrorists and transport explosives there illegally.

Referring to the CIA general counsel, Stanley Sporkin, Casey said in the text of his speech: "Stan Sporkin is reviewing our contracts to develop additional protections against the kind of moonlighting and use of our contractors and technology which occurred in the Wilson-Terpil situation."

The purpose of Casey's speech was to reassure CIA employees that he intended to weather the current controversy over his past financial practices and management of the agency, which have led to calls for his resignation by three key Republican senators, including Barry Goldwater, chairman of the Senate Intelligence Committee.

A copy of the 11-page speech was made available to The New York Times.

In it, Casey - seeking to counter criticism of his handling of the agency - said he had taken and would take several steps to improve agency operations.

Asserting that in the past, intelligence estimates had not reflected "the full range of threats which our policy makers need to protect against," he said that he had on occasion refused to accept estimates prepared by agency analysts. He said that, specifically, estimates prepared on Africa and Latin America had "not addressed Soviet interests, activities and influence."

IN THE PAST, CASEY SAID, AGENCY ESTIMATES HAD FAILED TO ADDRESS THESE ASPECTS. "Worse still," he added, "I HAVE BEEN DRAFTS OF ESTIMATES PREPARED A YEAR OR MORE AGO BY ANALYSTS IN THIS BUILDING WHICH ACCURATELY PREDICTED WHAT HAS HAPPENED IN VICTORAGUA AND CUBA'S NEW AGGRESSIVE POLICIES IN CENTRAL AMERICA AT A TIME WHEN THOSE DEVELOPMENTS CERTAINLY SHOULD HAVE BEEN CAREFULLY CONSIDERED."

"SADLY," SAID CASEY, "THESE ANALYTICAL INSIGHTS WERE STRANGLING IN THE CLEARANCE AND COORDINATING PROCESS SO THAT THEY DID NOT REACH POLICY MAKERS IN A NATIONAL ESTIMATE. I INTEND TO SEE THAT THAT DOES NOT HAPPEN AS LONG AS I AM DCI."

THE ISSUE OF INTELLIGENCE ESTIMATES HAVE LONG STIRRED DEBATE AMONG EXPERTS. PREVIOUS CIA DIRECTORS, INCLUDING CASEY'S PREDECESSOR, ADM. STANFIELD TURNER, HAVE BEEN ACCUSED OF ALTERING CERTAIN ASSESSMENTS TO REFLECT THEIR VIEWS, OR THOSE OF THEIR ADMINISTRATIONS.

CASEY, AT HIS CONFIRMATION HEARINGS, PROMISED TO FOSTER "COMPETITION" AMONG INTELLIGENCE ANALYSTS.

THE SPEECH MARKS THE FIRST ACKNOWLEDGEMENT BY CASEY THAT HE HAD HIMSELF DECLINED TO ACCEPT INTELLIGENCE ESTIMATES PREPARED BY THE CIA ANALYTICAL UNIT. THERE HAVE BEEN PUBLISHED REPORTS THAT CASEY, FOR EXAMPLE, REJECTED AN ASSESSMENT ON TERRORISM, WHICH, ACCORDING TO INTELLIGENCE OFFICIALS, FAILED TO FIND EVIDENCE OF DIRECT SOVIET SPONSORSHIP IN THE RISE IN TERRORIST ACTIVITY.

IN HIS SPEECH MONDAY, CASEY SAID HE HAD "REVISED TIMETABLES AND PROCEDURES FOR DOING NATIONAL ESTIMATES TO GET THEM OUT MORE QUICKLY, MAKING THEM MORE CRISP AND MORE RELEVANT TO POLICY NEEDS."

"IT IS THE DCI'S RESPONSIBILITY," HE ADDED, REFERRING TO HIS POST AS DIRECTOR OF CENTRAL INTELLIGENCE, "TO BOTH FRAME THOSE ESTIMATES AND REFLECT SIGNIFICANTLY DIFFERENT VIEWS THAT MAY EXIST IN THE INTELLIGENCE COMMUNITY."

CASEY ALSO SAID HE HAD MOVED TO IMPROVE COORDINATION BETWEEN THE INTELLIGENCE COMMUNITY AND POLICYMAKERS. HE SAID THAT BOTH HE AND HIS DEPUTY, ADM. BOBBY R. INMAN, WERE NOW MEETING IN WEEKLY BREAKFAST MEETINGS WITH SECRETARY OF STATE ALEXANDER M. HAIG JR. AND DEFENSE SECRETARY CASPAR W. WEINBERGER, AND HAVING "REGULAR MEETINGS" WITH PRESIDENT REAGAN AND THE NATIONAL SECURITY COUNCIL.

SOME OF CASEY'S REMARKS RELATED TO A REORGANIZATION OF THE AGENCY'S CLANDESTINE OPERATIONS THAT LED TO HIS ORIGINAL SELECTION OF MAX C. HUGEL AS DIRECTOR OF CLANDESTINE SERVICES. HUGEL RESIGNED TWO WEEKS AGO AFTER FORMER BUSINESS ASSOCIATES HAD ACCUSED HIM OF FINANCIAL MISCONDUCT, CHARGES HE DENIED. THE ENSUING CONTROVERSY HELPED CREATE QUESTIONS ABOUT CASEY'S JUDGEMENT AMONG MEMBERS OF THE SENATE INTELLIGENCE PANEL.

CASEY ACKNOWLEDGED IN THE SPEECH THAT THE HUGEL EPISODE HAD "TURNED OUT BADLY."

"I AM NOT HERE TO DEFEND THAT APPOINTMENT," CASEY SAID. "I DON'T WANT TO CRITICIZE HUGEL. I BELIEVE THAT HE CAME HERE IN HIGH HOPE THAT HE COULD MAKE A CONTRIBUTION TO HIS COUNTRY. HE HAS SUFFERED GREATLY FROM THE WAY IT ALL TURNED OUT."

(MORE)

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\*EXCLUSIVE: 10 P.M. EDT EMBARGO

\*NYT WASHINGTON: TURNED OUT."

HUGEL HAD SERVED IN REAGAN'S ELECTION CAMPAIGN, FOR WHICH CASEY WAS CHAIRMAN. BUT CASEY SAID: "THERE WAS NO MOTIVATION OF POLITICAL REWARD OR FRIENDSHIP IN MR. HUGEL'S APPOINTMENT."

IN FACT, HE SAID HUGEL'S NAME HAD FIRST BEEN PROPOSED FOR THE CLANDESTINE POSITION "BY ONE OF THE AGENCY'S MOST SENIOR LINE MANAGERS." HE DID NOT IDENTIFY THIS PERSON.

CASEY ACKNOWLEDGED THAT THERE HAD BEEN "STRONG VIEWS THAT SOMEONE WITH MORE EXPERIENCE SHOULD BE AT THE TOP, AND THAT WHAT HUGEL HAD TO OFFER SHOULD BE APPLIED AT A LOWER LEVEL." BUT HE SAID: "I WAS AFRAID THIS WOULD DILUTE HIS ABILITY TO DRIVE THE REBUILDING AND DEVELOPMENT OF NEW DIRECTIONS I WANTED TO SEE."

HE SAID THAT HE DECIDED THAT "THE REQUIRED OPERATIONAL EXPERIENCE" COULD BE PROVIDED BY TWO "CAREER DEPUTIES" WORKING UNDER HUGEL, WHOM HE IDENTIFIED AS JOHN STEIN AND CLAIR GEORGE. STEIN, A FORMER COVERT AGENT AND HUGEL'S DEPUTY, WAS NAMED BY CASEY TO REPLACE HUGEL.

"I TAKE FULL RESPONSIBILITY FOR A DECISION THAT TURNED OUT BADLY," CASEY SAID. "BUT I BELIEVE THERE WAS CONSIDERABLE, IF NOT GENERAL, AGREEMENT THAT IT WAS CAUTIOUSLY MADE AND IMPLEMENTED AND COULD BE A CONSTRUCTIVE STEP."

THE FIRST PART OF CASEY'S SPEECH WAS A VIGOROUS DEFENSE OF CRITICISM ABOUT HIS OWN PAST BUSINESS PRACTICES, ESPECIALLY THE DISCLOSURE OF COURT RULINGS THAT HE AND OTHERS HAD KNOWINGLY MISLED INVESTORS IN 1968 IN A NEW ORLEANS-BASED AGRIBUSINESS CONCERN, MULTIPONICS INC.

"I AM AMAZED AT THE VARIETY, THE INTENSITY AND CONSTANTLY CHANGING NATURE OF THE ATTACK THAT HAS BEEN LAUNCHED AGAINST ME IN A SINGLE WEEK," SAID CASEY. "I'VE SURVIVED THIS KIND OF ASSAULT BEFORE AND GONE ON TO DO THE JOB I WAS ASKED TO DO. I WILL DO IT AGAIN."

HE SAID THERE WAS "NO SUBSTANCE" TO THE VARIOUS CHARGES, WHICH HAD ALL BEEN "HASHED OVER" IN VARIOUS CONFIRMATION PROCEEDINGS WHEN HE WAS NAMED TO HIS CURRENT AND TO PREVIOUS POSTS.

IN THE MULTIPONICS CASE, CASEY SAID THAT GLORE FORGAN, AN INVESTMENT BANKING COMPANY, HAD PREPARED AN OFFERING CIRCULAR FOR "A SMALL GROUP OF PROFESSIONAL INVESTORS" AND THAT A FEDERAL JUDGE HAD MADE HIS DECISION OF FAILURE TO DISCLOSE WITHOUT TAKING ANY TESTIMONY IN THE CASE.

"HE TOOK NO TESTIMONY AND BASED HIS DECISION ENTIRELY ON A COMPARISON OF A 1968 DOCUMENT WITH A 1970 DOCUMENT, NEITHER OF WHICH I WROTE; READ CLOSELY OR FOR WHICH I HAD OTHER THAN A POSSIBLE TECHNICAL LEGAL RESPONSIBILITY," HE SAID.

CASEY, A FORMER CHAIRMAN OF THE SECURITIES AND EXCHANGE COMMISSION, SAID THERE HAD BEEN "NEAR HYSTERIA ABOUT THIS SECURITIES LAWSUIT IN THE PUBLIC MEDIA" ABOUT WHAT HE CALLED "A GARDEN VARIETY LAWSUIT FREQUENTLY BROUGHT BY INVESTORS FOLLOWING THE FAILURE OF A VENTURE CAPITAL-TYPE INVESTMENT."

CONCLUDING THE TEXT OF HIS SPEECH, CASEY PRAISED AGENCY EMPLOYEES FOR HAVING "CARRIED ON THROUGH THE YEARS OF ATTACK AND TURMOIL,"

"UNTIL A WEEK OR TWO AGO, I THOUGHT I WAS BEING SUCCESSFUL IN MAINTAINING A LOW PROFILE," HE SAID. "I SENT YOU A DIRECTOR'S NOTE SAYING THAT THE DIFFICULTIES OF THE PAST WERE BEHIND US. I SEEM TO HAVE BEEN A BIT PREMATURE. NEVERTHELESS, I LOOK TO YOU TO CARRY ON THROUGH THE WEEKS IT WILL TAKE FOR THIS ASSAULT ON ME TO FIZZLE OUT."

NYT-07-28-81 2120EDT

DALLAS TIMES-HERALD  
28 July 1981

# Casey probe is vital

The Reagan administration and the appropriate congressional oversight committees need to determine promptly whether Central Intelligence Agency Director William J. Casey is fit for continued service. They can do that by thoroughly investigating all the allegations that have cast a shadow over his credibility and prompted calls for his resignation.

Due to a variety of factors, the image of the CIA has been damaged in recent years and its effectiveness as the nation's top intelligence agency has been compromised. If the CIA is to regain its past stature and the confidence of the American public, it must be led by officials of unquestioned integrity.

Mr. Casey's qualifications to hold the director's position quite properly is being questioned on a number of fronts.

Sen. Barry Goldwater, R-Ariz., the formidable chairman of the Senate Intelligence Committee, has called for Mr. Casey's resignation on the grounds that Casey was responsible for selecting Max Hugel as deputy director for CIA clandestine operations. Mr. Hugel was forced to resign on July 14 when it was revealed that he had been accused by two Wall Street brokers of entering into a conspiracy with them in the early 1970s to illegally boost the price of stock in a New York wholesale firm he once headed.

Sen. Goldwater is right in questioning the propriety and wisdom of Mr. Casey's choice of his second-in-command on at least two grounds: Mr. Hugel had scant qualifications for the highly sensitive job, and, if the accusations prove true, Mr. Hugel could have been the target of a blackmail attempt. That would have put him in an intolerable position as the nation's chief spymaster.

Mr. Hugel claims that Mr. Casey had every reason to trust him because he had known him for "20 years." But Mr. Casey now claims that he has been acquainted with Mr. Hugel for only 17 months. Both men served in top capacities in President Reagan's 1980 campaign — Mr. Casey as national campaign chairman and Mr. Hugel as an organizer of volunteers.

We question the wisdom of naming campaign workers to high positions in the government, especially at an agency as sensitive as the CIA. It would appear that Mr. Reagan, for all the good decisions he has made so far as the nation's chief executive, did not learn much from the Bert Lance affair in the ill-starred administration of his predecessor.

Mr. Casey's personal background also has come under fire. He and seven other directors of Multiponics, Inc., a now-defunct agribusiness, have been accused by a New York federal judge and an appellate court in New Orleans of misleading investors in a money-raising scheme from 1968 to 1971.

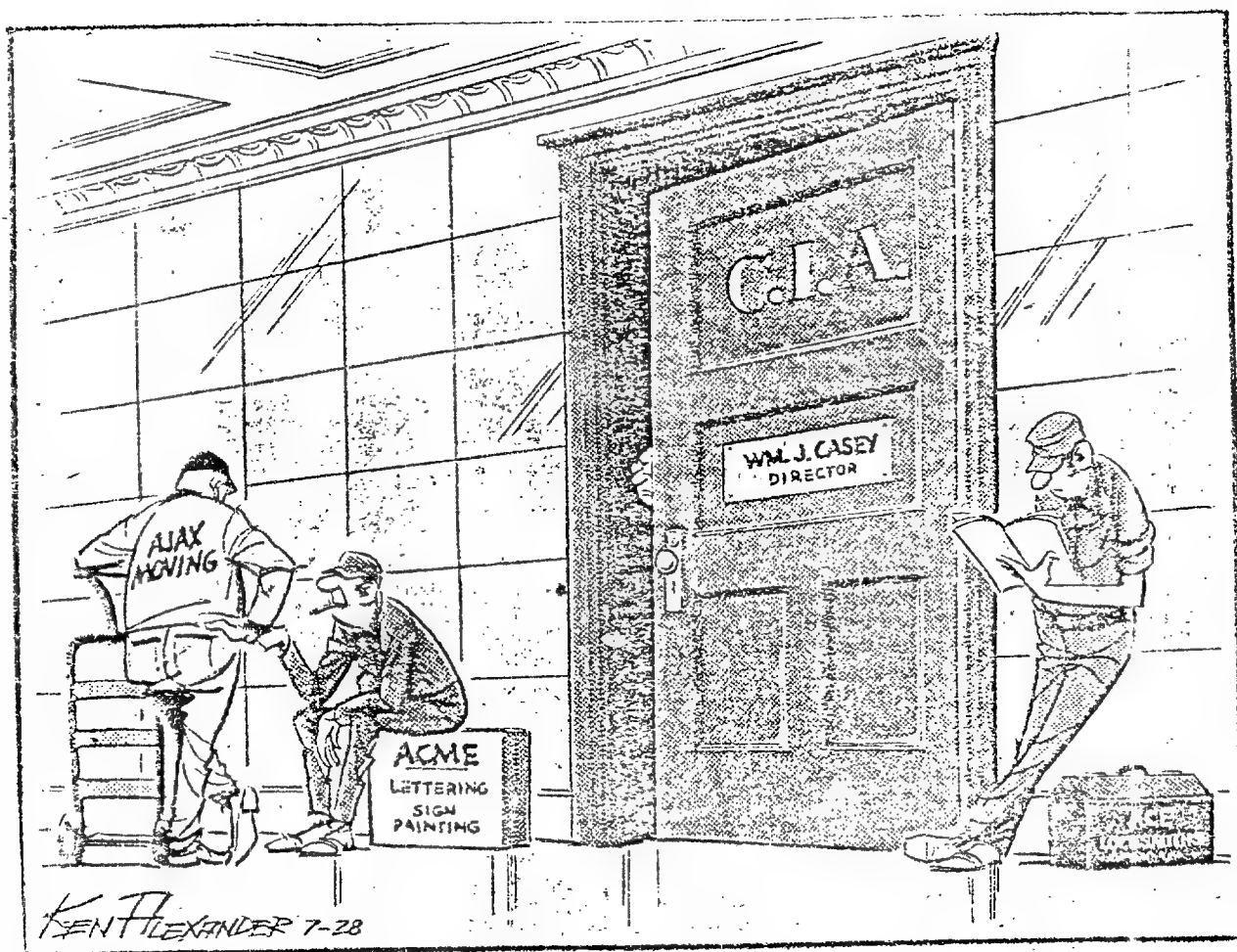
Mr. Casey also is facing criticism for allegedly approving a covert CIA plan to topple Libya's Moammar Khadafy.

The White House and the oversight committees need to determine the validity and seriousness of the charges raised against Mr. Casey and to learn why he saw fit to name a person of Mr. Hugel's inexperience and background as his second-in-command. The CIA must get about its important job of gathering information in the international arena that is vital to this nation's well-being. It must not be compromised in any manner in that mission.





23 July 1981



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WALL STREET JOURNAL  
28 July 1981

## Senate Staff Finishes Report on CIA Chief; Casey Meets Employees to Defend Actions

By GERALD F. SEIB

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—The staff of the Senate Intelligence Committee yesterday completed what aides said was a "preliminary," inconclusive report on the business activities of Central Intelligence Agency Director William Casey.

Meanwhile, Mr. Casey called an unusual, 45-minute meeting of CIA employees to refute allegations made against him. Speaking to about 500 employees in an auditorium and another 1,000 watching closed-circuit television, Mr. Casey "expressed confidence he will be exonerated," a CIA official said. "He expressed confidence he will continue."

Sen. Barry Goldwater (R., Ariz.), chairman of the Intelligence Committee, and Sen. Daniel Patrick Moynihan (D., N.Y.), the committee's ranking minority member, met privately to discuss the staff report. The meeting also included Fred Thompson, a Tennessee lawyer and former Watergate investigator, who was hired by the committee yesterday to aid in the investigation of Mr. Casey.

The staff's report is to be presented to the full committee at a closed-door meeting this morning. The report doesn't reach firm conclusions because the staff hasn't had time to sift through cartons of documents received from Mr. Casey.

The staff is looking into Mr. Casey's activities as a director of Multiponics Inc., an agricultural concern that went bankrupt several years ago. A federal judge in New York recently ruled that Mr. Casey and other directors misled investors in a financial circular for the company.

### Hiring of Max Hugel

The staff is investigating some of Mr. Casey's other business activities, as well as his hiring of Max Hugel, a former Reagan campaign aide who was named head of the CIA's spy operations. Mr. Hugel resigned after former business associates accused him of improper and possibly illegal business activities. He has denied any wrongdoing.

Some committee aides who have seen documents involved in the inquiry indicated yesterday that they don't appear to contain substantial new allegations. They said the documents indicate that Sen. Goldwater was incorrect in charging that Mr. Casey made money in the Multiponics venture. Mr. Casey and his attorneys maintain that he lost his investment in the company, but the Senator said at a news conference last week that he had seen indications that Mr. Casey actually made a substantial profit.

"Casey should make it," one committee aide said. "There's nothing on him there."

But other congressional sources said it was too early to analyze the materials the committee's staff has gathered. In addition, these sources said, even if no other questionable financial activities are discovered, committee members might still recommend that Mr. Casey resign because of the Hugel affair alone.

Mr. Casey has asked to appear before the Intelligence Committee to discuss allegations made against him. The committee hasn't formally decided to invite Mr. Casey, but committee aides said he probably will be asked to appear. The invitation is likely to be extended after today's committee meeting.

### New, Unrelated Controversy

As the committee was reviewing the documents, however, Mr. Casey faced a new, unrelated controversy. Published reports said that the House Intelligence Committee had written to President Reagan expressing serious reservations about a plan for covert action in Africa proposed by the CIA. Congressional sources confirmed that a letter about a covert action was sent. But the White House denied that the letter concerned an effort to oust Libyan leader Moammar Hadafy, as one report indicated.

At his meeting with CIA employees, Mr. Casey strongly defended both his business dealings and his hiring of Mr. Hugel, the

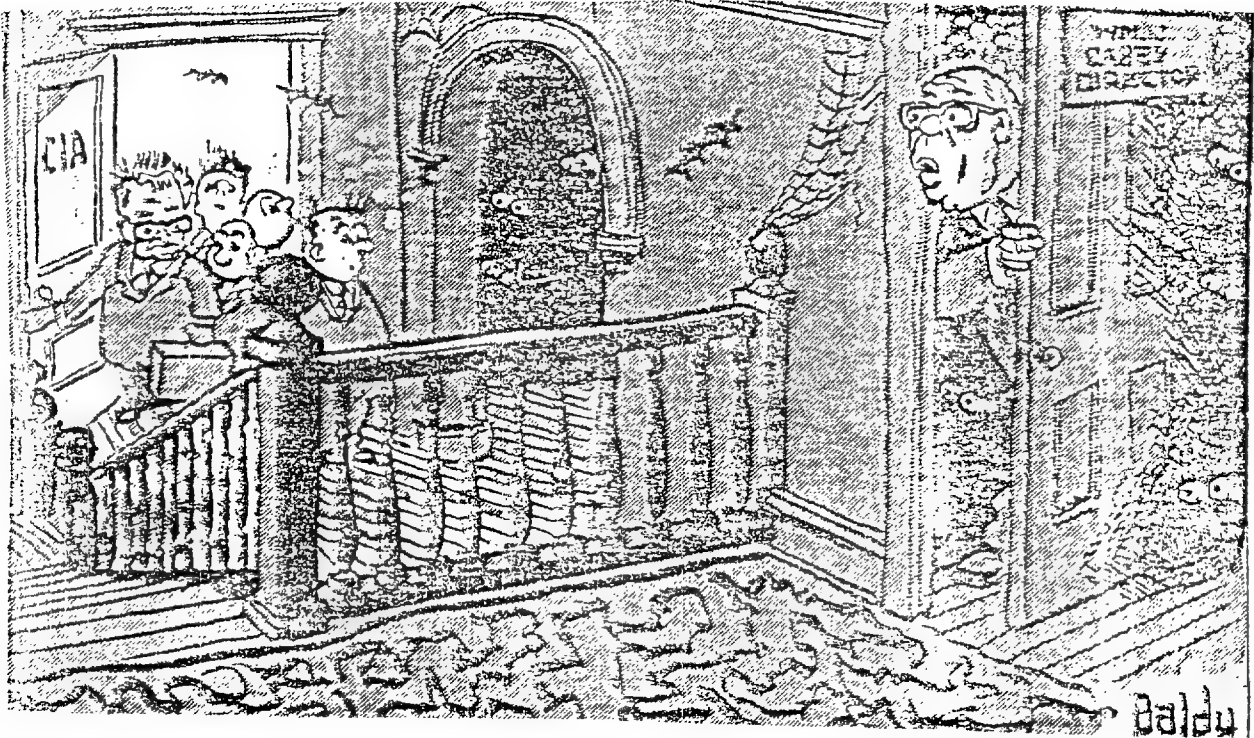
CIA official said. Mr. Casey said that Mr. Hugel wasn't hired on the "spur of the moment" but rather was carefully selected for the sensitive position because he would be a "catalyst" and a "dynamic person."

Mr. Casey added that Mr. Hugel "would have carried out that charge" if he had stayed in his job, the official said.

Regarding his business dealings, Mr. Casey said he had reviewed records and was convinced he wasn't involved in any "improper or illegal" activities, the CIA official said. Mr. Casey said he had invested in many new companies during his business career and "couldn't be held responsible for every single action of every single company," the official said. Likewise, he said he couldn't be held responsible for every action of companies he represented as an attorney.

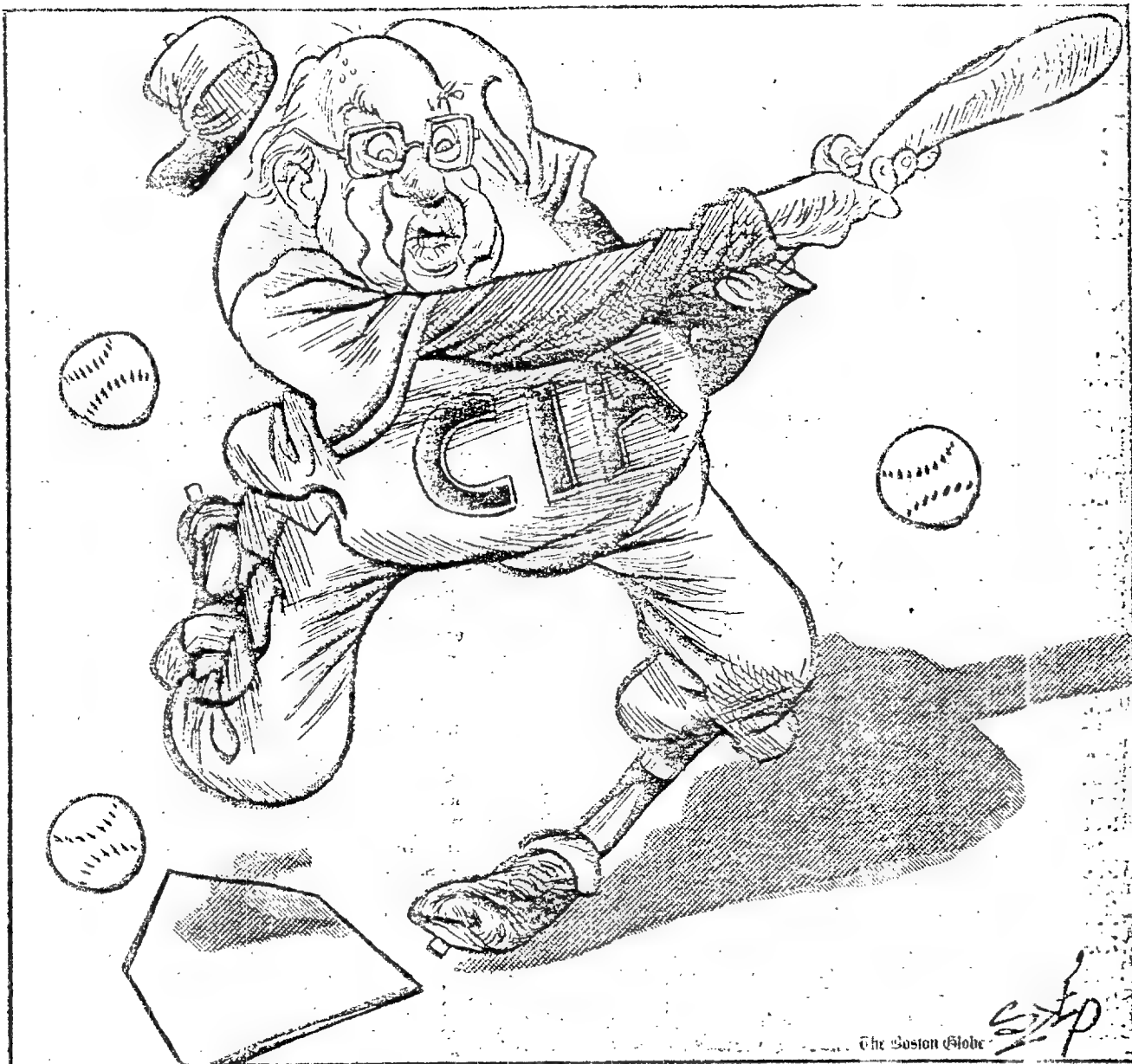
The committee staff is looking into reports that Mr. Casey didn't disclose some business activities in financial disclosure reports required of presidential appointees. Likewise, committee aides have said the staff will study Mr. Casey's role as a lawyer for SCA Services Inc., a waste-disposal company that has been linked in public records and sworn testimony to organized crime.

ATLANTA CONSTITUTION (GA)  
28 JULY 1981



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BOSTON GLOBE  
28 July 1981

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ON PAGE 10.



The Boston Globe

*'There is no joy in Mudville...'*

LOS ANGELES TIMES

28 July 1981

"FRAUD!" cried the maddened Senator, and the echo answered "FRAUD!"  
And a scornful look from Goldwater and the batter stood there awed;  
They saw Barry's face grow stern and cold, they saw his muscles strain,  
And they knew that William Casey wouldn't let that ball go by again.





## Speed Up Casey Inquiry

The nation will not be served well by a prolonged inquiry into the past business practices and the current intelligence policies of embattled CIA Director William J. Casey.

Casey now seems to be dangling from a rope wrapped around a fistful of rumors and leaked information concerning his performance as CIA director. Sen. Barry Goldwater, R-Ariz., is insisting he resign, not because of some past wheeling and dealing on Wall Street, but because of evidence of poor judgment as chief of the CIA.

Now comes word that key members of the House Intelligence Committee protested to President Reagan a plan by Casey to try to oust Libyan leader Moammar Khadafi.

Max Hugel, Casey's choice to head the CIA's covert operations, also is causing the CIA chief headaches, although Hugel has resigned. Casey's critics charge that the CIA chief exercised poor judgment in appointing an inexperienced businessman to such a sensitive post.

In any event, the CIA is too important to be left with a leader who has a cloud over his head. The White House and the intelligence committees of the Congress ought to investigate promptly the allegations against Casey, then either call for his resignation or clear his name and let the CIA get on with its business. The quicker that is done the better off the government will be. And, frankly, we see no reason why such an inquiry could not be completed within a week.

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NEW YORK DAILY NEWS  
28 July 1981

## Give Casey his turn at bat

For the sake of the CIA and the national security, the Senate Select Committee on Intelligence should accede quickly to William Casey's plea for a chance to answer publicly questions about his judgment and business ethics.

At least three powerful Republican senators already have called on Casey to spare the agency and the administration further embarrassment by bowing out as CIA director.

We don't believe Casey ought to be dumped without a fair chance to defend himself. At the same time, the Senate committee had better give Casey more careful scrutiny now than it did at the time he was initially confirmed.

For one thing, there is his involvement in Multiponics, a blue-sky agribusiness that went broke. A federal judge ruled that Casey and other officers of the company committed what he termed "civil fraud" in concealing facts about the operation from investors. The Senate never really explored that case before approving Casey's appointment to head the CIA.

There is also the matter of Casey's choice of Max Hugel as chief of the CIA's cloak-and-dagger division. Hugel has since quit because of alleged stock manipulations before he took office. But the big question is why Casey hired a man with absolutely no experience in intelligence work in the first place.

The sooner Casey gets to speak his piece the better. The CIA has been in turmoil for about a decade. Its troubles began with the ballyhooed and overblown charges of "illicit" activities and continued during the Carter administration with the decimation of its covert-action section.

Accurate, timely and complete intelligence is vital to national security. The nation can't afford a crippled CIA, or one whose chief is under a cloud. It's essential that the CIA director command the complete confidence not only of the President and Congress but the public and the intelligence community as well. We had better find out soon whether Casey meets those standards.

## Covert action in the Senate

The political machinations over whether CIA Director William Casey should keep his job have become as tangled as the plot of a trashy spy novel. At first it seemed that Mr. Casey was under pressure to resign because of revelations about some of his past business dealings. Then there were doubts raised about his judgment in appointing Max Hugel as the country's top spymaster. Now Newsweek reports that some senators are upset about a CIA plan to try to depose Libyan leader Col. Moammar Khadafy.

Sen. Barry Goldwater, chairman of the Senate Intelligence Committee, was uncommonly quick to register his lack of confidence in Mr. Casey last week. And Senate Majority Leader Howard Baker as quickly sided with Mr. Goldwater. Their comments have created a strong doubt about Mr. Casey, and for the good of the CIA — and the country — it is going to have to be cleared up publicly.

Perhaps these Senate leaders of the President's own party were reacting to the stories about Mr. Casey's business practices. Or perhaps they were giving voice to a more general concern about Mr. Casey's ability to handle such a sensitive and secretive job as chief of U.S. intelligence. Too often lately the political system has attempted to rid itself of mistaken appointments by pretending that the issue is one of illegal conduct rather than incompetence. Honesty is not all that is required of top government officials, though it is certainly one of the requirements.

Now that several leaders of President Reagan's

own party have attacked Mr. Casey, there is a burden on them to explain themselves. It is quite possible that Senators Goldwater and Baker, who lived through the Republican agonies of the 1970s, feel that Mr. Casey is too incautious to be running the country's darkest operations. They know the political risks of having foolish men acting clandestinely in the name of the President.

Loyalty to the President, which was Mr. Casey's chief attribute in getting the CIA job in the first place, is not enough to protect the President. The best protection is impeccable — and conservative — judgment about the risks and rewards of espionage operations and covert action and about the legality of these activities.

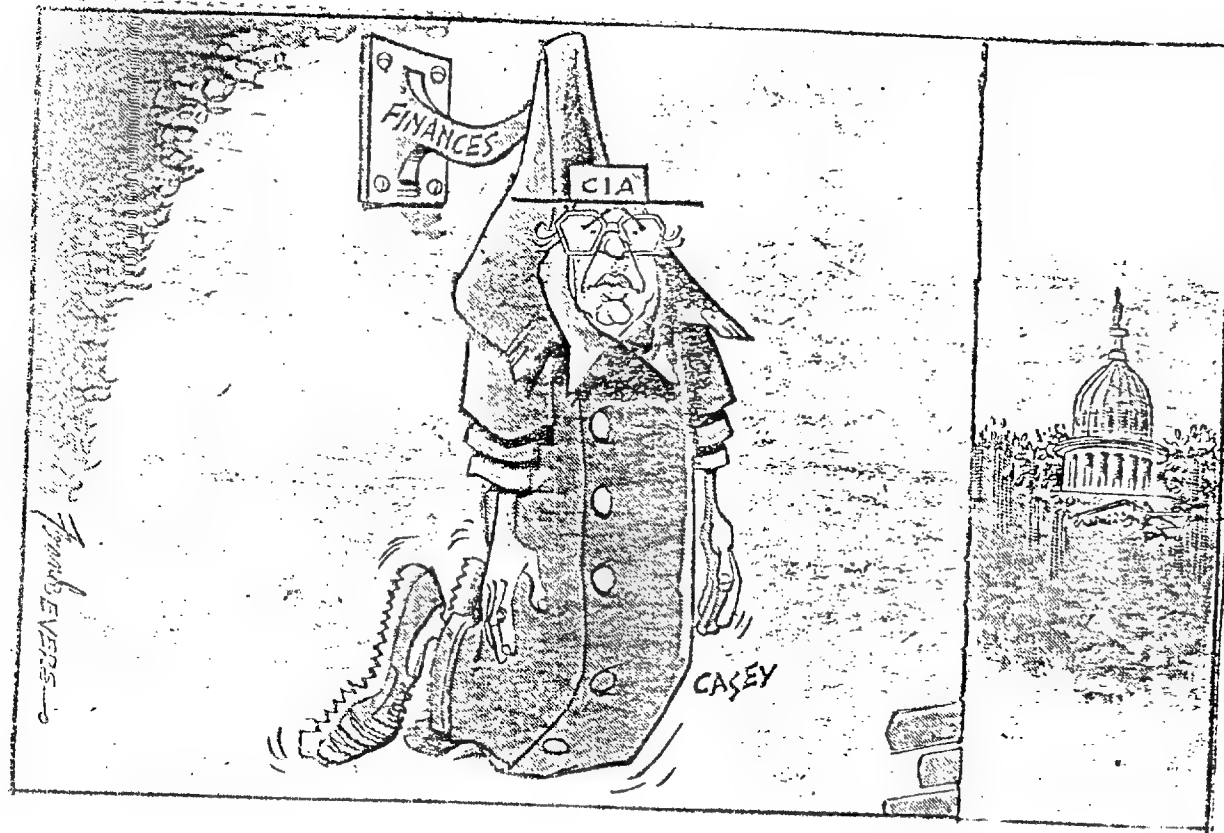
If this is the reason Senate Republicans have lost confidence in Mr. Casey, they ought to say so and — to the extent they can do it without compromising important secrets — put out a bill of particulars. If the only issue is the extent of Mr. Casey's culpability in past business dealings, then this too ought to be made public, along with the evidence.

Secrecy has its place in the operations of the CIA, but not in the decision whether the head of the CIA stays on the job or leaves. If he stays, both he and the agency deserve to be cleared of doubt. If he goes, it ought to be made clear why. Just because some of the nation's business must be done in secret does not mean that the U.S. Senate should be allowed to carry out its actions covertly.

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NEW YORK DAILY NEWS  
28 July 1981



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THE PHILADELPHIA INQUIRER  
28 July 1981



28 July 1981

SANDY GRADY

# Casey in over his head in the CIA's murky sea

WASHINGTON — Even in Spookville, where the outlandish plots and colorful rogues are part of the lore, this was an event that dazzled the Old Hands.



The Central Intelligence Agency has its fantastic legends — the deal with the Mafia to knock off Fidel Castro, the experiments with LSD on its own agents and the use of the Glomar Explorer to hoist a sunken Soviet submarine.

And the agency has been shaken by internal storms under five directors in the last eight years.

But never has the chief spy assembled CIA employees to make a pitch for his own job.

It happened yesterday in the silver, igloo-shaped auditorium of the agency at Langley, Va. William Casey, who is in big trouble with some members of the Senate, gathered the CIA folks to explain why he shouldn't be fired as Top Spook.

"He expressed confidence the investigation by the CIA will exonerate him," a CIA spokesman said. "He even popped a few jokes."

"They gave me a standing ovation," Casey said proudly.

The Old Hands had to shake their heads at a CIA director making a drumbeating speech for himself — although the spies were a bunch of cigar-puffing ward-leaders.

But that's natural for Bill Casey. He got the top job at the CIA through politics, as a reward for running Ronald Reagan's presidential campaign. And he's playing hard politics to save his job.

It may not work. Although they have publicly spotlighted Casey's shadowy business dealings, what really worries key members of the Senate Intelligence Committee is that Bill Casey was a disastrous choice to operate the nation's spy agency.

That's the unspoken anxiety beneath the Senate's investigation of Casey's old Wall Street deals. No one wants to say it bluntly, but the senators fear Casey is a bumbler whose ham-handed abuse of the CIA's power could create a string of fiascos.

"Barry Goldwater considers the CIA his special province," said a source close to the Senate committee. "He's not going to let anybody, even a Reagan pal, ruin the agency."

Goldwater angered Casey by saying bluntly that he should resign. Other key senators — reciting Casey's hiring of the inexperienced, loud-mouthed Max Hugel to run clandestine operations, and Casey's stock controversies — also want the CIA director out. But their main worry is that Bill Casey is out of his league.

"We're concerned about how he's handled the agency so far, about the morale, about the feeling that he's been slipshod in handling sensitive materials," Sen. Patrick Leahy (D-Vt) said. "Unless he improves quickly, there will be impetus for a change."

Even during the Reagan campaign, Casey, 68, was known for being impulsive. Reagan was grateful because Casey took over the campaign when it was deep in red ink and disarray. But Casey was an old-fashioned figure who understood little of polls or television.

Even Republican insiders were surprised when Casey was given the sensitive CIA post. Said one: "Maybe they're trying to hide him where he won't have to make speeches." Said another: "The way Casey mumbles, they won't have to use a scrambler on the CIA phones."

After five months, the jokes are less funny.

Casey was out of the old school of spy operations, parachuting agents behind German lines in World War II. Since his glory with the Office of Strategic Services 35 years ago, Casey has been a sharp-dealing Wall Street operator. He is not the tough, scholarly executive the CIA needed, someone who understood spy satellites and sophisticated analysis.

Casey is out of his depth.

While the White House has denied a Newsweek story that Casey has approved a plot to assassinate Libyan strongman Col. Moammar Khadafy, it is the fear of such hare-brained schemes that has rattled several senators.

Behind the scenes, Reagan's senior aides are trying to save Casey. They theorize that if Senate critics can dump Casey too easily, several weak members of the Reagan cabinet could also be seen as easy pickings. But the Reagan team is also preparing to move in a Casey successor — they know Sen. Goldwater badly wants his favorite spy, Adm. Bobby Inman, in the job.

Meanwhile, out at Spookville, the CIA's old hands are still shocked. They lived through Helms and Schlesinger and Colby and Bush and Turner, but they never heard a Chief Spy make a political speech.

It may have been Bill Casey's last hurrah.

*Sandy Grady*



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BOSTON GLOBE  
23 July 1981

## Senators pick counsel for Casey inquiry

By Robert Lenzner  
Globe Staff

WASHINGTON — William J. Casey, the besieged director of the Central Intelligence Agency, faces this week the full-fledged adversary proceeding that did not take place during his confirmation proceedings last January.

The Senate Intelligence Committee yesterday named veteran Watergate investigator Fred Thompson as special counsel in charge of its Casey probe.

Thompson, who served as minority counsel to the Senate Watergate Committee in 1973, said he might hire one or two investigators to augment the three committee staff members who have been working on the probe. The Nashville attorney promised a "thorough but quick" inquiry.

Casey, a 68-year-old New York lawyer who managed Ronald Reagan's presidential campaign, is under intense scrutiny for his past business dealings and his appointment of New Hampshire businessman Max Hugel as chief of the CIA's clandestine operations.

Deputy White House press secretary Larry Speakes said that President Ronald Reagan hoped the questions about Casey would be resolved shortly, "in spite of Mr. Thompson's being retained there."

"The President still has full confidence in Mr. Casey and hopes this matter will be concluded shortly," Speakes said.

The committee staff yesterday was completing a preliminary report on its review of Casey's involvement with a failed New Orleans farming venture called Multiponics Inc. and his choice of Hugel to run the agency's worldwide spy network. Hugel resigned this month after two former business associates accused him of improper dealings.

A new problem for Casey surfaced this week in reports that members of the House Select Committee on Intelligence, headed by Rep. Edward P. Boland (D-Mass.), had written President Reagan, complaining about Casey's plans for a secret campaign to undermine a foreign government identified as that of Col. Moammar Khadafi in Libya.

The White House yesterday agreed the letter existed but said it did not refer to Libya.

Newsweek magazine reported the covert operation was to include a "disinformation" campaign

to embarrass Khadafi, creation of a counter-government to challenge his leadership and a paramilitary campaign.

The magazine said the CIA's goal was Khadafi's "ultimate" removal and that House committee members read this as code for assassinating him. The magazine said the committee members mistrusted Casey's denial of any intent to kill Khadafi.

One Senate Republican source familiar with intelligence practices said professional intelligence officers would interpret "ultimate" removal as meaning assassination.

He added that if the Newsweek's description of the operation were correct, it would be "juvenile, out of a comic book. It sounds like they saw too many movies. If Casey signed that, Casey should go."

Michael O'Neal, staff member of the House Intelligence Committee, would not make any comment about the alleged letter to the President. O'Neal said, however, "there is a belief that Casey has damaged the agency and can't be a total winner even if he makes it through these hearings." To date there has been no further meeting of the committee and no attempt to reach a consensus about Casey. Rep. Boland did not respond to phone calls yesterday.

Sen. Henry Jackson, (D-Wash.) said yesterday the Senate Intelligence Committee investigation will "determine whether Casey's pattern of conduct reflects unfavorably on him and his sensitive duties."

The committee's staff has already given its chairman, Sen. Barry Goldwater (R-Ariz.), and Sen. Daniel Patrick Moynihan (D-N.Y.) a preliminary report about private law suits over the past 20 years in which Casey is charged with violations of the law.

The Senate committee is also looking into Casey's role in 1972 when, as chairman of the Securities and Exchange Commission, he sent sensitive documents about International Telephone & Telegraph Company to the Justice Department rather than a congressional subcommittee investigating ITT.

"I'm not looking for a bad single judgment, but whether's it's part of a pattern," Jackson said yesterday. "But if we find one major thing related to his integrity it could be serious."

Casey's problems with the Senate committee have been simmering for some time, according to Sen. Patrick J. Leahy (D-Vt.), another minority member of the committee.

"There is a feeling on the Senate Intelligence Committee that Casey doesn't have a grasp of what he is doing. He is skirting things on the edges. We would have hearings and he didn't seem fully aware of the facts," Leahy said.

"Casey added to the consternation concerning Hugel's appointment," Leahy continued

Bill Shipp

# Casey's Case Has A Familiar Ring

The case of William Casey, the embattled CIA chief, has a familiar ring.

Key members of the United States Senate, including some leading lights in his own party, are demanding his resignation.

Casey's past peculiar financial dealings have been brought up and used against him. His critics denounce him as "too much of a wheeler-dealer."

The whole thing sounds like a replay of the Bert Lance case in the Dog Days of 1977. Except this president, Reagan, appears determined to keep Casey from losing his job.

After all, Reagan may owe his presidency to his CIA chief.

If you will remember, Reagan's presidential candidacy got off to a shaky start. He did not do well in the early intra-party contests. His campaign organization was in disarray. And at the time of the New Hampshire primary, Reagan fired his campaign chief, John Sears.

He replaced Sears with William Casey, a familiar Washington and Wall Street figure, who immediately got Reagan's act back together and started the march to the White House. Reagan



awarded him with the Central Intelligence Agency job.

Now leading Republicans are demanding Casey's job. Sen. Barry Goldwater, chairman of the Senate Intelligence Committee, and Sens. William Roth and Ted Stevens say Casey is not fit to be CIA chief.

Democratic members of Congressional Intelligence committees are quietly smiling and declining to comment on the phenomenal Republican-against-Republican battle.

There have been various leaks from intelligence sources in an effort to discredit Casey. One such planted story held that Casey proposed the assassination of Libyan strongman Moammar Khadafy. That apparently is not true. An executive order signed by President Jimmy Carter on Jan. 24, 1978 prohibits political assassinations by the CIA or even proposing political assassinations, and we are told that Casey has carefully complied with that order.

Although most sources are vague about the case that is being aired mostly behind closed doors, Casey's principal sin seems to have been his hiring of one Max Hugel as head of the CIA's clandestine operations, the most sensitive area in the intelligence agency.

Hugel apparently had but one qualification for the post: He was a loyal Republican campaign lieutenant. He had no intelligence ex-

perience and was unknown in intelligence circles.

He has since resigned, of course. But his appointment appaled our allies and rekindled the notion that the CIA remains a prisoner of the vagueries and whims of the political process.

His appointment by Casey also raised grave doubts about the CIA chief's judgment and his dedication to rebuilding international confidence in the CIA as a top-notch professional intelligence-gathering organization.

(Casey himself hardly qualifies as an intelligence professional. He served in the old OSS back in World War II, and that is the extent of his experience.)

The cases of Jimmy Carter's budget director and Ronald Reagan's intelligence chief are not identical, of course. But they are similar enough to make one wonder whether Reagan will finally react as Carter did and be forced by congressional pressure to dump William Casey, the man who was probably most responsible for his election.

Another theory holds that the decision already has been made that Casey is a goner. Reagan, however, doesn't want to drop the ax right now and distract attention from his tax program with a major scandal. So Casey may be required to hang around until the Reagan tax plan is approved.

THE WHITE HOUSE

Office of the Press Secretary

PRESS BRIEFING

BY

DAVID GERGEN

July 28, 1981

The Briefing Room

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Q You said there are no policy differences with Mr. Neumann. You've made that clear several times.

MR. GERGEN: That's correct.

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MR. GERGEN: In his status as --

Q On the submission of the AWACS deal --

MR. GERGEN: And I said I didn't know the answer to that question, didn't I?

Q You are denying that there is a policy conflict with Haig. You are not speaking to the question that whether there was friction with Haig. Is that correct?

MR. GERGEN: I don't have guidance on that. That's all I'm saying. I did not ask that particular question, and I don't feel comfortable in responding to it.

Q Are you denying that there was a policy difference with the Secretary of State? Between Mr. Neumann and the Secretary of State?

MR. GERGEN: We are denying that he resigned over policy differences.

Q Senator Moynihan said again today that he thinks that this investigation of Casey is going to take awhile. It will be protracted. I think he used that exact word. Are you now -- is that your view, also? Yesterday, you were uncertain as to what --

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Q But Moynihan said that before that committee meeting.

MR. GERGEN: Well, I think it's important to find out what happened in the committee meeting. I think that's -- I would guide you to whatever the Senator said when they came out. I think we've made it clear that the timetable is a matter for them to determine. We have also made it clear that we are hopeful that this matter will be handled in an orderly, fair, and expeditious manner.

Q David, you said that he didn't quit over policy differences, but did he have significant policy differences of any kind?

MR. GERGEN: I am informed that he did not.

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Q Can we get on with the Casey thing?

with that.

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MR. GERGEN: We remain hopeful that it will be done.

Q Yes, but does it now appear to you that it won't be done quickly? Let's take this week. Are you hopeful that Friday of this week would see a resolution?

MR. GERGEN: Let me tell you what I have had as a report, and Pete Roussel is here, and was -- brought the report. Is Pete around?

MR. ROUSSEL: Yes.

MR. GERGEN: I am informed that the -- Mr. Casper will go before the committee tomorrow morning to testify in a closed executive session at his own request. And then he is going to be available --

Q At his request?

MR. GERGEN: At his request, yes. I think that request was expressed in the last few days, Friday, Saturday, or Sunday.

Q Did he also request that it be closed?

MR. GERGEN: I do not know whether he requested it to be closed. I think that is best -- you know, the committee can obviously answer that. It is my understanding that from Peter that Senator Goldwater, Senator Moynihan, and Fred Thompson met this morning, after the meeting with the press, and that Senator Goldwater indicated that matters already on the table could be resolved quickly.

Q Shall be resolved?

MR. GERGEN: Could be resolved quickly. Now, I think, this is obviously second-hand information. I think that for -- obviously, it is far better to go to the source and find out what he said precisely. This is information that was relayed to us.

Q Dave, if it is possible, I would just like to ask. Cardinal Krol, of Philadelphia, was here this morning. Did he, in conversation with the President, did he oppose Judge O'Connor's nomination, did he say that he was not opposed to it, or did his failure to mention it mean that he leaves it to the Reverend Jerry Falwell and John Lofton?

MR. GERGEN: Let me ask this question.

MORE

# 100 / 1-26-81

Did the good Cardinal come here to talk with the press?

THE PRESS: Yes.

MR. GERGEN: Did you have an opportunity to ask that question?

Q We forgot to ask that question.

MR. GERGEN: Well, shucks. (Laughter.) Lester where have you been?

Q He has a serious question.

MR. GERGEN: Seriously, I was not in the meeting. I will see if we can get an answer to the meeting -- the purpose of that meeting, obviously, was not to talk about --

Q Yes, it was food as I understand. But the question is --

Q You don't live by bread alone.

MR. GERGEN: Yes. I -- (laughter) --

Q He has strong views, I can tell you, on abortion.

MR. GERGEN: I appreciate that.

Q But if he didn't speak about Judge O'Connor, I think that's very significant, too.

Q When does her nomination go up?

MR. GERGEN: We're anticipating that her nomination will go up before the recess. The FBI check has been completed.

Q Did they find anything?

MR. GERGEN: And materials are now being reviewed at Justice.

Q Was it favorable?

MR. GERGEN: Her nomination would only be going forward on that basis, would it not?

Q I don't know. You fight for things that --

Q What do you mean before the recess?

MR. GERGEN: Before the recess.

Q David, Silvio Conte was here yesterday with the President. Will he be one of the floor leaders for this tax -- tomorrow on the House side --

MR. GERGEN: I don't know what Mr. Conte's views are going to be on the tax bill.

Q David, can I go back to Mr. Kro for one second?

MORRIS

#140-7/22



MR. GERGEN: Yes.

Q Does the President see any inconsistency between his promise to Cardinal Krol to sell American food stuffs to the Poles, indirectly, at bargain discount rates while at the same time cutting back on Food Stamps for the American poor?

MR. GERGEN: I haven't asked him that particular question but I'm not sure I -- (laughter) --

Q I'm sorry if it seems like --

MR. GERGEN: No, no, but I --

Q No, no. I think it's a very good question.

MR. GERGEN: I would suggest to you that the cuts in Food Stamps are -- do not affect the poor, and those below the poverty standard.

Q What?

MR. GERGEN: Let's be very clear about this. Now, we're maintaining the Food Stamp program for those below the poverty line. I think we've made that point -- we've tried to make that point on a number of occasions.

Q You're using now the definition that -- the latest OMB definition of where the poverty line is?

MR. GERGEN: Those below the poverty line. I believe that the number was -- when it was announced was that the cut-off line was 120 percent of the poverty line. In other words, those below the 120 percent of the poverty line --

Q How much?

MR. GERGEN: I don't know what the latest figure is but I think it's clear that those who are below will continue to qualify. And I think if you look at the actual numbers of those who may not receive food stamps in the future under this program it's actually -- there's a temptation to believe that there are -- draconian cuts are going under way in the food stamp program. And I think just the opposite is the case.

Q Do the cuts affect the needy?

MR. GERGEN: I think we've tried to indicate that we're maintaining a safety net for the truly needy and --

Q You've never defined what truly needy is.

MR. GERGEN: In this particular instance, we had a very clear line as to where we thought -- what the appropriate line was and that was about 120 percent of the poverty, as I --

Q Can you define what it is exactly the government is going to do in response to the Cardinal's request? He gave us a positive but a kind of a vague response. What foods are going to be made available and at what prices and what the President said in response?

MR. GERGEN: I can't provide you exact quotes. I do believe that the President indicated he would be interested in providing any assistance he can to the project. But I don't know whether he made an absolute commitment and I think we'll have to take that question.

Q Is there any way you could today, within the context of the Krol story, you'd be able to tell us --

MR. GERGEN: I understand.

Q -- what it is that the United States is providing?

MR. GERGEN: That's right. Dick Allen was there in the meeting. Did he come down and talk to you all about what happened?

Q No. The Cardinal said that the President told Allen to do it.

MR. GERGEN: I haven't --

Q The Cardinal quoted the President as saying, "This is permissible. We can do it and we will do it."

MR. GERGEN: Why don't we see if Dick can come in for a few minutes and take a couple of questions since he was in the meeting and --

Q Can I get to my original question?

MR. GERGEN: Yes, I said I did not know --

Q Is there no inconsistency?

MR. GERGEN: I had never asked the President that particular question and the inconsistency -- it doesn't strike me as an inconsistency.

Q Just a follow up to Walt's question. Does the President know of any previous instance in giving, we have certainly sent aid through the years since the Second World War to Poland, where there has been as many reported abuses as there have been in the Food Stamp program? (Laughter.) You're simply not denying that there have been enormous number of abuses in the Food Stamp program, or are you?

MORE

1140-7/28

THE WHITE HOUSE  
Office of the Press Secretary

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PRESS BRIEFING  
BY  
DAVID GERGEN

July 28, 1981

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THE WASHINGTON POST  
27 July 1981

# Casey Gives Documents To Panel

## Offers to Appear Before Committee To Aid Inquiry

By Patrick E. Tyler  
Washington Post Staff Writer

CIA Director William J. Casey yesterday delivered to the Senate Intelligence Committee a two-foot stack of documentary material defending his personal business dealings over a decade and his appointment this year of Max Hugel as chief of clandestine operations. Hugel was forced to resign earlier this month over allegations of improper stock trading practices.

The material represents the major thrust of Casey's defense, as he struggles against prominent Republican senators calling for him to step down.

Sen. Henry M. Jackson (D-Wash.) yesterday gave qualified support to Casey. Jackson, interviewed on "Meet the Press" (NBC, WRC), said Casey ought to admit that he made a "tragic mistake" in appointing Hugel. Jackson pledged, however, "I'm going to do all I can to make sure he [Casey] has his day in court" before making a judgment on the allegations against him.

In transmitting the documents, Casey said in a letter to committee Chairman Barry Goldwater (R-Ariz.) that he would "be pleased to appear personally before the committee" to answer questions and added that he "believes it is in the best interest of the country that this matter be handled expeditiously."

A committee spokesman said that no decision had been made on whether to seek testimony from Casey, who managed President Reagan's 1980 campaign.

The documents, which were delivered to the Senate committee at 2:15 p.m., arrived in about 20 cartons because the CIA had duplicated them for each committee member and for the staff.

A spokesman said that Goldwater and the committee's vice chairman, Daniel Patrick Moynihan (D-N.Y.), will receive a preliminary report this afternoon on Casey's documents and written responses to committee questions.

The full committee will meet Tuesday to hear a report and possibly recommendations from Goldwater and Moynihan and to consider whether to extend the inquiry.

Goldwater, along with Senate Republican whip Ted Stevens (R-Alaska) and Sen. William V. Roth Jr. (R-Del.), have called for Casey to resign.

Jackson's comments yesterday echoed the caution urged Saturday by Sen. Paul Laxalt (R-Nev.) when he called on senators to avoid rushing to judgment. Said Laxalt: "Mr. Casey is not going to permit a life-long good reputation to be jeopardized in this matter without being fully heard and fully defended and I applaud him for that."

Jackson, who said he was not speaking as Casey's defender, nevertheless attacked what he called a "McCarthy period" atmosphere surrounding the inquiry. "It looks to me that they're trying to lynch him in public," he said.

The Washington senator quickly dropped the analogy after he was asked if he was applying the criticism to Goldwater, Casey's chief critic on the committee. Jackson said he was not referring to Goldwater,

but to "the attitude and the tone on the part of a long list of people. I think very clearly they are trying to do Mr. Casey in."

Jackson said he hopes that an appearance by Casey before the committee will give him an "opportunity, under oath, to respond to the questions that have been raised." He added, however, that the public should be excluded from the initial process.

"The first thing you do, in order to protect the good name of anyone, is to have a closed session so you can find out the truth or falsity of these matters and then go public," Jackson said.



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ON PAGE A-8WASHINGTON STAR (GREEN LINE)  
27 JULY 1981

OLIPHANT



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THE WASHINGTON POST  
27 July 1981

ARTICLE APPEARED  
ON PAGE A13

*Philip Geyelin*

# Casey And the Sharks

Daniel Patrick Moynihan, the senior Thesman from New York, was in fine form. In full cry and arms waving, he told his colleagues on the Senate Intelligence Committee how he had been calling and calling and calling the White House—and nobody answered.

"If they are going to cover up, they are going to lose themselves a director of the Central Intelligence Agency right there. If they are not even going to help us develop the fact that [the director] should not resign, then the result will be that he will resign."

Ten minutes after this outburst, Moynihan reports, he finally got a call from Attorney General William French Smith. Within hours, arrangements had been made for the committee's investigators to sit down with Justice Department officials to begin looking into the rapidly unraveling case of William Casey, director of the CIA.

It is no ordinary case. Whatever its outcome, it has already provided a revealing test of senatorial character—and that of the administration as well. The CIA chief, after all, is the first Reagan Cabinet member to come under congressional investigation. He heads a particularly sensitive institution with an essential role in national security. Still convalescing from the battering it took from Congress as a consequence of past excesses and improprieties, the CIA cannot afford any more controversy over the competence and integrity of its top management.

You would have assumed, then, that it would not have required a loud warning from the ranking Democrat on the intelligence committee to alert the Reagan administration to the perils of even seeming to be "stonewalling" (to borrow from the Watergate vocabulary) in the Casey affair. Any grown-up politician in this town ought to know by now that nothing transforms even the most understandable foul-up into a full-fledged scandal faster than the suspicion of a "cover-up." That consideration, Moynihan insists, was his primary concern and the reason that, after 15 phone calls got no response, he blew his top.

You might also have assumed, while awaiting the committee's findings of fact, that Casey was entitled to a hearing, if not out of decency, then out of concern over the enduring damage his railroaded resignation would almost certainly do to a still-suspect CIA.

But that's what's extraordinary about the Casey affair. None of the natural assumptions can be safely assumed.

As a political crony of the president, Casey was a marked man from the start. Despite a wartime intelligence background, he seemed, by many professionals to be short of the necessary credentials for the job. So you would have thought he would have selected his associates with care, and with due concern for congressional doubts about his competence.

Instead, he tempted fate by recruiting for the particularly sensitive position of deputy director for operations (including covert activities) a rough-tongued, hard-charging, millionaire entrepreneur named Max Hugel, with no credentials for the job. A protégé of William Loeb, the hyper-reactionary publisher of the Manchester Union Leader, Hugel's managerial talents as displayed in a modest role in the Reagan primary campaign in New Hampshire somehow convinced Casey that he would bring a strong hand and a fresh eye to the management of the CIA.

Then a couple of soreheaded former Hugel business associates, armed with tape recordings, blew the whistle on alleged stock manipulations and Hugel was swiftly and neatly hustled out of his job.

End of story, you might have assumed. "Except for this one aberrational appointment," says a CIA veteran, "it was generally agreed that Casey was doing a pretty good job." But the Hugel fiasco, as so often happens, sharpened appetites. Casey himself came under closer scrutiny; a seven-year old civil law suit involving Casey's role as director of an agricultural firm was suddenly front-page news.

When the ruling—that Casey and other directors had knowingly distributed false information about their company—was handed down last May, it went unnoticed. But post-Hugel, it became fresh blood in the water for a circling school of senatorial sharks and the main basis for the Senate investigation.

A partisan, Democratic ploy, you might assume—and once again he was wrong. These are Republican sharks. Their leader is committee chairman Barry Goldwater, who for weeks has been telling committee members and the White House what he only recently was prepared to say out loud—that Casey must go.

Says a committee colleague, "It's got to be something personal. Barry never has thought Casey was up to the job, and he thinks the CIA belongs to him."

If nothing new turns up to discredit Casey, stalwart White House support for the president's 1980 campaign manager could still save him—and save the CIA from yet another unsettling upheaval as well. But given the way the White House has been playing pussy-foot politics with this problem, even without new and adverse evidence, the president's continuing "full confidence in Mr. Casey" is one more assumption that cannot be safely assumed.

ARTICLE APPEARED  
ON PAGE 24

CHRISTIAN SCIENCE MONITOR  
27 July 1981

## The Casey case

Senator Goldwater defers to no one in concern for national security. When he suggests the resignation of a CIA director, a security-minded administration of fellow Republicans might be expected to listen. Do they seriously believe a CIA director can do his job effectively when he has lost the confidence of the chairman of the Senate intelligence committee — namely, Mr. Goldwater — not to mention another Republican on the panel and the Senate's assistant Republican leader? Evidently they do, at least in the present case of William Casey, Mr. Reagan's former campaign manager, whom the President intends to stand behind if, in an aide's words, there are no "major new revelations."

In the event of such revelations, they would have to be addressed at the time, said the aide. The question is whether the administration has sufficiently addressed the situation as it stands. By minimizing the episodes that have already loomed large enough to cause Senate investigation, Mr. Reagan and his people risk the folly of previous administrations in seeming insensitive to the genuine national security that requires government officials beyond reproach.

Mr. Casey's problems include a federal judge's ruling that he participated in business irregularities, the choice of a top aide who resigned under accusations of business irregularities, and allegations about information withheld during the senatorial confirmation process. Previous CIA directors have roused controversy for various reasons. But to skim back over the roster — Turner, Bush, Colby, Schlesinger, Helms, McCone, Dulles — no name is associated with judgments or allegations on business ethics.

Mr. Casey has promised to offer explanations and documents today that will lay the whole controversy to rest. It is to be hoped, indeed, that he can do so, thus challenging doubts about Mr. Reagan's own wisdom in appointing him to the job. Mr. Reagan has shown he can weather storms before. But usually he has had Mr. Goldwater on his side.

# Casey Requests Speedy Hearing on Allegations

By DAVID TREADWELL,  
Times Staff Writer

WASHINGTON—William J. Casey, the embattled director of the Central Intelligence Agency, asked Sunday for a Senate Intelligence Committee hearing "as soon as possible" in the hope of resolving the controversy over whether he should resign his post.

Casey made the request in a letter accompanying a stack of documents he delivered to the committee Sunday, a day earlier than he had promised.

The 68-year-old intelligence chief submitted the documents in response to four pages of questions the committee sent him last week regarding his past role as head of a failed New Orleans agribusiness venture and his appointment of Max Hugel as the CIA's chief of clandestine services.

## Casey's Response

Casey apparently stepped up his response to the committee's questions when the committee staff indicated it would complete its own preliminary report on the inquiry today for presentation to a closed committee hearing Tuesday morning.

In submitting the material, Casey said he believed that "it is in the best interests of the country that this matter be handled expeditiously."

The committee chairman, Sen. Barry Goldwater (R-Ariz.), is among several key Republican senators who have called for Casey to resign, contending that the controversy has weakened his effectiveness as CIA director.

However, Sen. Henry M. Jackson (D-Wash.), a committee member, said Sunday that Casey should "have his day in court" before the committee, first in a closed hearing and then in a public session.

"I feel very deeply about people

being kicked around in the public print," Jackson said in an interview on NBC-TV's "Meet the Press." "It looks to me like they're trying to lynch him in public."

"I went through the McCarthy period," he said, referring to the Communist-hunting era of Sen. Joseph R. McCarthy (R-Wis.), "and I don't want to see a repetition of that kind of thing."

Jackson denied that he was accusing Goldwater of McCarthyism but he said it was the "attitude and tone on the part of a long list of people" who have called for Casey's resignation.

## Simon Defends Casey

William E. Simon, Treasury secretary in the Administration of former President Richard M. Nixon, also spoke out on Casey's behalf Sunday at a hastily called meeting with reporters.

"Aren't they the gutless wonders?" Simon said of congressmen who are now calling for Casey's removal but who remained quiet when the first allegations concerning Casey's financial affairs became public years ago.

"When are we going to learn that it takes good people to run this government? We're going to end up with nothing in Washington but academics and neuters," he said.

The current controversy erupted almost two weeks ago when Hugel, a businessman who lacked intelligence agency experience before his appointment by Casey, abruptly resigned after a published report charged that he had engaged in stock manipulation in 1974 that was improper and perhaps illegal. Hugel denied any wrongdoing.

Two previously overlooked federal court rulings that were critical of Casey and his former associates in Multiponics Inc., a now-defunct agriculture company, subsequently surfaced.

A ruling by a New York federal judge in May said Casey and other directors of the firm had intentionally misled potential investors and a year ago, a federal appeals court in New Orleans ruled that Casey and his associates had driven Multiponics "deeper and deeper into debt" by managing it in a "pattern of self-interest."

White House spokesman Peter Roussel Sunday reiterated President Reagan's support of Casey.

Roussel also refused to comment on reports by Newsweek magazine that Casey approved a planned CIA operation to overthrow Libyan leader Moammar Kadafi and that a search has already begun for possible replacements for the intelligence chief.

Some members of the House Intelligence Committee have written to Reagan, protesting a planned CIA covert action in Africa, committee member Clement J. Zablocki, (D-Wis.) said. The action was proposed by Casey's team at the CIA, but committee officials refused to divulge details of the operation or its location in Africa. Zablocki, however, ruled out Libya as the location.

## Plot Reported

Newsweek reported Sunday that the operation was designed to overthrow Kadafi through a "disinformation" campaign designed to embarrass him, the creation of a counter-government to challenge his leadership and a paramilitary campaign. The magazine said committee members mistrusted Casey's denial of any intent to assassinate the radical Arab leader.

Newsweek also reported that three persons headed what it said was a White House list of possible replacements for Casey. They were identified as former CIA Deputy Director Vernon Walters; Daniel O. Graham, former director of the Defense Intelligence Agency, and Samuel V. Wilson, former director and former deputy director of the CIA.

# New Setback for CIA —And More to Come?

**Sudden departure of a controversial spy master is sparking probes of the agency's security system—and even of the top man himself. The upshot could pose a problem for Reagan.**

The nation's secret intelligence organization is caught up in a new and damaging crisis—just as it was showing signs of recovery from six years of scandals and turmoil.

Triggering the crisis: The forced resignation on July 14 of Max Hugel as the Central Intelligence Agency's spy master. He quit as chief of clandestine operations only hours after publication of allegations of improper and possibly illegal business practices.

The ramifications of the crisis go far beyond the immediate issues involved in the Hugel resignation.

CIA Director William Casey himself is under a cloud, with his future as director of the nation's intelligence operations in doubt. His judgment and qualifications for the top intelligence job are being challenged.

**Lengthening shadow.** Compounding the doubts about Casey's future at the CIA are disclosures that he, too, is accused of engaging in questionable business activities.

A federal court, it transpires, recently ruled that he was guilty of knowingly participating in a misleading investment offering. Another court found that Casey and other directors of a

company had driven their firm "deeper and deeper into debt." Casey denies responsibility for these actions and is appealing.

Beyond the controversy over the leadership of the CIA, there is widespread concern about the agency's security system, which gave Hugel clearance to become chief of clandestine operations, the most sensitive post in the intelligence community. This system is supposed to weed out misfits and "moles," enemy agents who seek to penetrate the country's espionage apparatus.

As a result, what appeared to be a successful drive to rebuild the morale and credibility of a battered CIA has suffered a setback.

**Tape recordings.** The rapid-fire chain of events that led to the latest CIA crisis was sparked by publication in the *Washington Post* on July 14 of allegations that Hugel was involved in stock transactions in the 1970s that were improper and perhaps illegal.

The accusations were made by two brothers, Thomas and Samuel McNell, who were the principal brokers handling the stock of a company that was then run by Hugel. They provided

buy his firm's securities. According to the charges, the scheme failed, and relations between Hugel and the McNell brothers deteriorated into bitter feuding. One of the McNell tapes contained a claim by Hugel that the brothers were attempting to blackmail him.

The controversial spy master insists that the charges against him are "unfounded, unproven and untrue."

**Strategy's goal.** The bombshell confronts the Reagan White House with a major test in crisis management. To deal with it, the President's aides have mounted a "damage limitation" operation, which so far has been relatively successful in minimizing embarrassment to Reagan.

Aim of the White House strategy: Demonstrate that the Hugel affair is a Casey problem, not a Reagan problem.

White House Communications Director David Gergen went out of his way to stress that it was Casey who selected Hugel, saying: "As you know, Mr. Hugel was not nominated by the President."

At the same time, Reagan's advisers moved with extraordinary speed to guarantee that the problem was liquidated and so avoid the risk of creating a Reagan version of Jimmy Carter's "Bert Lance albatross."

Reagan's aides are attempting to dismiss the affair as a minor aberration that is over and done with. As Gergen put it: "As far as the White House is



Ex-spy master. Max Hugel's resignation is sparking new crisis for battered CIA.



Chief under fire. William Casey's future is in doubt—if troubles continue.



Heir apparent. Bobby Inman is viewed as probable successor if Casey goes.



concerned, this matter is closed." That, in the view of political observers, may prove to be wishful thinking.

Already the Senate Intelligence Committee has launched a preliminary investigation of the CIA's Office of Security and its handling of the Hugel screening. The panel is also looking into alleged financial misconduct by Hugel and Casey.

And the Senate Judiciary Committee may undertake an inquiry into Casey's past business activities, if some members get their way.

What disturbs some congressmen as well as former top intelligence officials is what they call the "politicization" of the CIA. From the outset of the Reagan administration, they have been privately critical of the appointment of Reagan's 68-year-old campaign manager as boss of a deeply troubled intelligence community that required dynamic leadership.

The CIA, says Senator Patrick Leahy (D-Vt.), "is not a place to pay off campaign debts."

Opposition to Casey in Congress was blunted by the appointment of the nation's foremost professional intelligence expert as his chief deputy, Adm. Bobby Inman. In fact, Inman, former chief of the National Security Agency, was favored by many on Capitol Hill for the top CIA job. He is seen as the obvious successor if Casey is forced out.

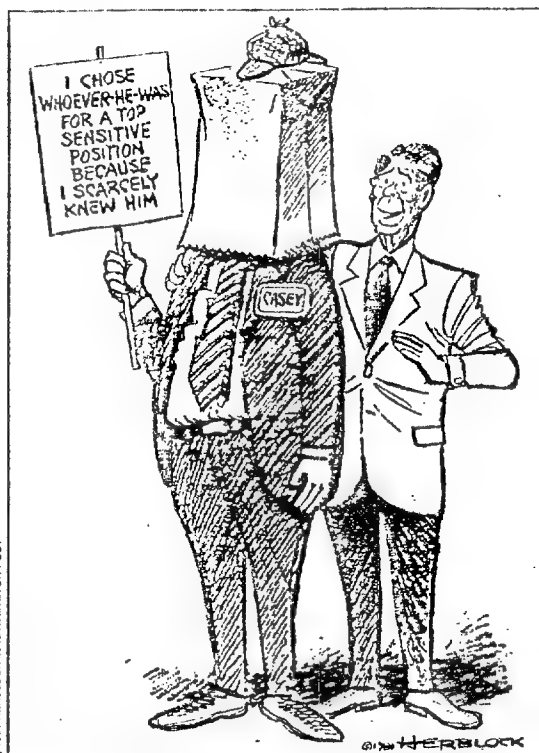
Criticism that the CIA was being politicized surfaced again after Casey in mid-May promoted Hugel, one of his political campaign helpers with no previous intelligence experience, to control clandestine operations.

**Defending the candidate.** In the face of almost universal opposition from intelligence professionals and White House aides, the CIA director went directly to the President to win approval of Hugel's appointment.

Says a congressional aide associated with the intelligence committees: "Hugel had no visible qualifications for the job. An untested person should never be put in that sensitive position."

Casey defended the appointment, praising Hugel as uniquely qualified for the job of managing all covert actions and clandestine intelligence-gathering operations overseas. In a letter to the *New York Times*, the CIA director said of his choice as spy master that "his drive, clarity of mind and executive ability would... offer the best way to both strengthen and effectively run the directorate."

The inference was widely drawn that the CIA director wanted a trusted



"We have complete confidence in what's-his-name here."

and close associate in the sensitive job. But when Hugel was forced to resign, Casey denied Hugel's claim that the two had known each other for 20 years. He said that he had been acquainted with Hugel for only 17 months.

In replacing Hugel, Casey has appointed the career officer recommended for the post initially: John H. Stein, a 48-year-old CIA veteran with 20 years' experience in covert operations.

No less disturbing than the alleged politicization of the CIA, in the view of many in Congress, is the apparent breakdown of the CIA's security-clearance system in its screening of Hugel. On this score, too, questions are being raised concerning Casey's role.

**Incomplete picture.** Ordinarily, officials say, a security investigation, especially of a candidate for a sensitive CIA job, requires months. In Hugel's case, the inquiry was rushed through in a week, and possibly less.

The investigation was begun on January 14, and by January 21 he was given full clearance. During that period, agents for the CIA's Office of Security conducted 28 interviews. The picture that emerged was of a "workaholic" who had amassed a fortune as a feisty and hard-driving businessman.

With the exception of reports of brief marital difficulties, no derogatory information surfaced from the inquiry or from a lie-detector test, which is a routine part of the intelligence agency's clearance procedure.

Surprisingly, the investigators failed to discover the McNell brothers, although one of them claims that he tried unsuccessfully to contact the White House to pass along the information he had concerning Hugel's questionable business activities.

Nor did Hugel himself inform the security agent of his conviction that the McNell brothers had attempted to blackmail him. His explanation was simply: "I didn't think it was a reportable event."

Intelligence experts say a key rule in the espionage trade is that the slightest hint of blackmail must be reported immediately to security authorities.

**Following orders.** Why was the Hugel security investigation rushed through so quickly? No explanation has yet been offered. But a former CIA director makes this point: "The security people work for the director. If he expresses his interest in getting quick clearance for a personal choice, that must have an effect."

The major issue at the heart of the latest CIA crisis involves Casey's judgment—in appointing Hugel against the virtually unanimous advice of intelligence experts, in condoning if not encouraging an inadequate security screening, in failing to inform the congressional intelligence committees of the charges against Hugel and in failing to move against his onetime campaign aide until charges of shady dealings made headlines.

The White House insists that Reagan retains "full confidence" in Casey. But a top White House aide concedes that the President's advisers are keeping their fingers crossed. They worry about the prospect of more embarrassing surprises growing out of Casey's role as defendant in several lawsuits stemming from his past business activities.

"If," says the White House aide, "there is a series of lawsuits showing a pattern of illegal dealings that he was caught in, then that would be serious."

Even without such a pattern, there is growing speculation that Casey's effectiveness has been critically compromised and that the President is likely to find his retention as chief of the nation's intelligence operations an increasing embarrassment.

That judgment is reflected in a *Chicago Tribune* editorial in these words: "Whether Mr. Hugel or Mr. Casey committed any improprieties in their private business dealings, they are the wrong men to run U.S. espionage." □



ARTICLE APPEARED  
ON PAGE 24.

TIME MAGAZINE  
27 July 1981



Resigned Deputy Max Hugel and his boss, Director William J. Casey

## Old Skeletons Rattle the CIA

*A spymaster is jettisoned and a chief threatened*

At first it looked like a fleeting flap, handled swiftly and skillfully by the Administration to limit the damage. Max Hugel, a millionaire merchant with no visible qualifications to hold his post as director of clandestine operations for the CIA, had been publicly accused of illegal stock manipulations by two vengeful Wall Street brokers who had gone bankrupt trying to promote stock in Hugel's former business. Denying any wrongdoing, Hugel nevertheless promptly resigned as the CIA's deputy director of operations and was quickly replaced by a career CIA operative, John Henry Stein. Sighed a White House aide with relief: "The matter is closed."

But by week's end CIA Director William J. Casey, 68, a Reagan political crony who had appointed Hugel against strong opposition within the CIA, and with little if any White House support, was in trouble too. He was the focus of an investigation by the Senate Intelligence Committee, which is dominated by Republicans and headed by Senator Barry Goldwater. The probe also had the backing of Senate Majority Leader Howard Baker. All this was happening despite the insistence by a White House press spokesman that "the President has full confidence in Mr. Casey."

At issue was Casey's judgment in selecting the brash and arrogant Hugel, 56, for such a sensitive job. It entailed deploying CIA agents around the world, recruiting spies behind the Iron Curtain and giving the go-ahead for all covert operations. Also under study was the CIA's apparent failure to uncover allegations of serious impropriety in Hugel's business practices when the agency ran its customary background check. One main objective of the screening process is to find out

if a prospective CIA official could in any way be blackmailed—and "blackmail" was precisely what Hugel last week accused his former business associates of having threatened.

Beyond Casey's unfortunate choice of Hugel, whom he asserts he met when both worked in Reagan's presidential primary campaign, the director's own business ethics will be scrutinized by Senate investigators. They came under question in a civil suit filed against him in 1974 by investors who had lost heavily when a New Orleans-based agricultural firm of which Casey was a director went bankrupt. Casey had disclosed the existence of the lawsuit on a routine form sent to the Senate Intelligence Committee after his confirmation hearings last January, but the committee did not question him about it. Last week it was revealed that a New York federal judge had found merit in the suit, ruling that Casey and other directors had knowingly circulated false and misleading information about the business. (Judge Charles E. Stewart Jr. issued his decision last May, but no reporter considered it significant enough to produce a story.)

Casey's bad week began when the Washington *Post* reported the bitter accusations against Hugel leveled by two brothers, Thomas and Samuel McNell, who also produced 16 damaging tape recordings of their telephone conversations with Hugel in

so they could promote the stock. They contend that he secretly funneled \$131,000 into Thomas McNell's brokerage firm, disguising the money as a personal loan to Samuel McNell, so that the brokers could trade in the stock. This would give other potential investors the illusion of market interest in the company. They also charged that Hugel had persuaded another business associate to buy 15,000 shares of stock in five separate purchases to manipulate the stock's value.

All the efforts eventually failed. Hugel moved on to a high paying position in another firm, Centronics Data Computer Corp., of Hudson, N.H., and pressed the McNells to repay the loans. In a Dec. 13, 1974, recording, Hugel claimed that the McNells' lawyer "had the nerve to threaten me with some goddam cockamamie lawsuit." Fumed Hugel: "I'll kill that bastard . . . I've revealed nothing to you guys. I did nothing wrong." Hugel repeated his denials of any wrongdoing to *Post* reporters, although he did not deny that a voice on the recordings was his. He said he was puzzled by some of the conversations and could not recall others. In an unpublished autobiography Hugel boasts: "I have an excellent memory . . . virtually a photographic memory."

The Brooklyn-born Hugel's driving personality, rather than any notable talents, apparently helped him achieve both wealth and his brief eminence in Washington. As a New Hampshire businessman, Hugel's aggressive style impressed William Loeb, ultraconservative publisher of the *Union Leader* in Manchester. Loeb pushed Hugel for a position in Reagan's New Hampshire primary race, and Hugel was named Reagan's Nashua campaign chairman, an obscure spot that he resented. Says former Republican Governor Hugh Gregg: "In terms of the nitty-

gritty of the campaign, he had nothing to do with Reagan's victory. He's a creation of Mr. Loeb's."

But Hugel won over Casey with his eagerness to get things done and his obvious loyalty. One gusty day, Hugel's toupee flew off as he obligingly chased after his boss's windblown hat. When Casey decided last February to make Hugel his administrative director, the White House raised no objection. Hugel's job did not require Senate confirmation, and thus there were no



Whistle Blower Thomas McNell

fears at the White House of a public ruckus over his lack of relevant experience. When, in mid-May, career officers at the CIA objected to elevating Hugel to the top clandestine operations post, Casey argued that someone from outside the CIA was needed to shake up the covert side of the agency. But CIA veterans conveyed their displeasure to some of the "old boys" on the outside. One such gripe, reported Cord Meyer, a former CIA official, was that Hugel "had an extraordinary gift for profanity, which he substituted for thought."

Casey last week refused to discuss his problems over past business practices. The lawsuit involved an agribusiness firm named Multiponics, which was set up in 1968 to acquire land owned by the company's founders and to operate it jointly in farming and related ventures. Casey was a director and one of the founders, investing \$145,614 in the company, which also assumed a mortgage debt on his land of \$301,000. The company tried to raise money by issuing stock privately in 1968.

Judge Stewart ruled that the circular announcing the stock offering failed to disclose that about \$2.7 million in mortgage debts had been assumed by the firm. The circular also said that the company owned seven operating farms, while the judge determined that two were not in operation, one was operating at a loss and two were operated by sharecroppers rather than by the experienced managers

mentioned in the circular. While Casey's lawyer last week contended that Casey had been a "passive investor" who relied on others to prepare the stock circular, Judge Stewart noted that Casey and the other directors had attended a meeting at which copies of the offering "were distributed and fully discussed."

Multiponics went bankrupt in 1971, and Casey lost most of his investment. Reviewing an attempt by Casey and other directors to reorganize the bankrupt company a year later, District Judge Herbert Christenberry in New Orleans also had concluded that they had driven the corporation "deeper and deeper into debt" by managing in a "pattern of self-interest." A puzzling irony in Casey's involvement in the lawsuit is that it involved questionable dealings in sales of stock—and he was considered such an expert on these matters that he was made director of the Securities and Exchange Commission by President Nixon in 1971.

The new attention to Casey's past comes just as he was earning grudging praise from CIA hands for getting the agency more funds despite the Reagan budget cuts. He also seemed to be leading the CIA away from the distraction of recurring headlines and back to doing its job quietly and better. But with a congressional investigation looming, the nation's shrouded intelligence agency was once again all too visible. —By Ed Magnuson.

Reported by Laurence I. Barrett and Jonathan Beaty/Washington

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## NATIONAL AFFAIRS

# Reagan's CIA Troubles

When a bantamweight businessman named Max Hugel was put in charge of cloak-and-daggering for the CIA, veterans of the intelligence agency were shocked. The Brooklyn-born Hugel had only one real qualification for the super-sensitive post of deputy director for operations: a connection with CIA Director William J. Casey, with whom he had worked in Ronald Reagan's Presidential campaign. So when Hugel resigned last week, just hours after the appearance of a newspaper story charging him with past financial improprieties, the fallout settled mostly on his CIA boss. Casey had other problems: two judges, it turned out, had cited him for dubious financial dealings—and suddenly the Reagan Administration had a potential political liability on its hands.

For the record, White House officials insisted they had full confidence in the rumbled, mumble-prone Casey, a former Securities and Exchange Commission chairman and Under Secretary of State for Economic Affairs. But chairman Barry Goldwater of the Senate intelligence committee ordered a staff investigation of Casey's business dealings, and other members were pressing for a full-bore examination of Casey's career, of his judgment in bringing Hugel to the CIA and of agency security procedures that failed to red-flag Hugel's past. Top Reagan aides conceded privately that a formal inquiry—or more disclosures about Casey in the press—could make the director's position untenable.

**Neophyte:** Ironically, one of Casey's principal goals had been to lower the CIA's profile and strengthen its authority and credibility after the embarrassments of recent years. But Casey brought at least one new problem with him to the agency in the person of Max Hugel—a toupee-topped former importer of Japanese sewing machines and typewriters. Hugel joined the Reagan team last year in New Hampshire as a political neophyte carrying the endorsement of powerful publisher William Loeb. Hugel quickly impressed Casey with what other top campaign aides thought were "harebrained" schemes to mobilize volunteers and voters. He was "a bull in a china shop," one Reagan worker recalled. "People who saw him in action would say, 'Christ, you guys need help.'"

After he arrived at CIA headquarters in Langley, Va., Casey hired Hu-

gel and moved him through several posts before putting him in charge of top-secret intelligence gathering and clandestine operations. He saw Hugel's background in business overseas as useful in arranging "cover" for secret agents, and he wanted a tough-minded administrator whom he felt he could trust.

Hugel was cleared by the CIA's Office of Security in just one week, and that investigation failed to turn up the long-running battle with two former stockbrokers that prompted his resignation. The two men,

brothers Thomas R. and Samuel F. McNell, went to The Washington Post a fortnight ago with charges that Hugel had improperly provided them with cash and "insider information" about the Brother International Corp., a company he headed in the mid-1970s.\* The McNells, who had to return \$400,000 to Hugel because they renege on an unrelated deal, secretly taped conversations that seemed to show him trying to drive up the sales and value of Brother stock. "Yeah, it's going to be really great," Hugel told Thomas McNell, referring to a line of computer printers Hugel was developing. "Now, I'm telling you confidential stuff. You understand that?" Urging the McNells to promote the stock more vigorously at another point, Hugel said, with characteristic color: "I'm getting more f--- headaches than I know what to do with the goddamn thing. Got my bank on my ass. 50,000 guys on my ass... let's get the action."

Confronted with the tapes prior to their publication, Hugel denied doing anything illegal or improper—and Casey first thought his man could ride out the storm. But after hearing some of the tapes, Casey changed his mind and decided Hugel would have to go, despite advice from CIA general counsel Stanley Sporkin that there was no clear-cut violation of law involved. Shortly after the Post story appeared, Casey advised White House chief of staff James A. Baker III that Hugel would resign. Hugel did, and Casey replaced him with CIA officer John Stein, a veteran station chief with solid experience in the agency's Asian, African and Soviet operations. The White House was delighted. "There were a lot of memories around here of the Bert Lance affair when this thing popped," said one top staffer. "There was a great desire to have it over with."

**Circular:** But it wasn't. As questions mounted about Casey's appointment of Hugel, it was disclosed that an interim ruling by a Federal judge in New York last May cited Casey and other officials of a failed agribusiness company called Multiponics, Inc., for knowingly misleading prospective investors in 1968. Judge Charles E. Stewart Jr. concurred with earlier findings that Casey and the other officials had distributed an offering circular containing false and misleading information—failing, for example, to mention that Multiponics had assumed more than \$2.7 million in mortgage debts from its founders and also had exaggerated the operations

'We have complete confidence in what's his name here'

© 1981 Herblock in The Washington Post



Hugel (left), Casey. Charges of dubious financial dealings—and a potential political liability

Mark Reinstein—Photoreporters



Bruce Hoertel



\*NEWSWEEK has learned that the McNell brothers originally took their tale to a New York Times editor, who referred them to Washington-based reporter Jeff Gough. The McNells mistakenly asked for Gough at the Post—and when told he didn't work for the paper, gave their story to a Post reporter instead.

and profitability of acquired property.

There were more damaging headlines the next day. A Federal appeals court in New Orleans had ruled last year that Casey and his associates in Multiponics engaged in an "over-all pattern of self-interest" that drove the company "deeper and deeper into debt." Some Wall Street experts, however, said the Multiponics case was not very serious. Casey's lawyer said he was appealing the interim decision, the White House said the New Orleans ruling was disclosed by Casey in appropriate forms before his nomination—and President Reagan called the whole flap "old news."

**Scrutiny:** In fact, Casey's business dealings had come under Congressional scrutiny several times before. In a 1962 case Casey and a publishing firm were fined for plagiarism; in the same year Casey also was involved in an out-of-court settlement on a charge of improper stock sales. But none of his early peccadilloes had prevented him from serving in top posts at the SEC, State Department and Export-Import Bank. Still, the Senate intelligence committee last week directed its legal staff to meet with CIA lawyers and have another look at Casey's record to see if a full investigation was warranted. "Some people expressed concern that, of all people, the director of central intelligence ought to be above suspicion," said Senate Majority Leader Howard Baker.

There were scattered signals that Goldwater and other intelligence committee members might soon counsel Reagan to do what Casey had done to Hugel: jettison the damaged goods. A vacancy at the top probably would pave the way for handing the directorship to Casey's deputy, Adm. Bobby Ray Inman, highly praised in the past as head of the National Security Agency—and the man whom Goldwater and others in Congress had wanted at the CIA controls in the first place.

DAVID M. ALPERN with DAVID C. MARTIN,  
THOMAS M. DeFRANK, ELEANOR CLIFT,  
JAMES DOYLE and JOHN J. LINDSAY in Washington  
and SUSAN AGREST in New York

## A Plan to Overthrow Kaddafi

To many of his critics on Capitol Hill, the real question about CIA Director William J. Casey has always been his capacity for sound judgment. Last week, as pressure for Casey's resignation mounted, sources began to leak details of a planned CIA operation that seemed to underscore those doubts. NEWSWEEK learned that the operation, presented to the House Select Committee on Intelligence by former deputy director of covert operations Max Hugel and approved by Casey and the White House crisis management team, was a large-scale, multiphase and costly scheme to overthrow the Libyan regime of Col. Muammar Kaddafi. The CIA's goal, sources said, was Kaddafi's "ultimate" removal from power. To members of the House intelligence committee who reviewed the plan, that phrase seemed to imply Kaddafi's assassination. And in a step that experts said was "rare" in the secret records of Congressional oversight of CIA activities, the committee sent a strongly worded letter of protest directly to Ronald Reagan.

The details of the plan were sketchy, but it seemed to be a classic CIA destabilization campaign. One

element was a "disinformation" program designed to embarrass Kaddafi and his government. Another was the creation of a "counter government" to challenge his claim to national leadership. A third—potentially the most risky—was an escalating paramilitary campaign, probably by disaffected Libyan nationals, to blow up bridges, conduct small-scale guerrilla operations and demonstrate that Kaddafi was opposed by an indigenous political force. The cost in covert American aid was high enough, sources said, that the CIA needed Congressional permission to draw funds from a special reserve account. So far, the sources said, Congress has not approved the funds.

Members of the House committee, briefed by Hugel, were skeptical about the feasibility and objectives of the plan. U.S. agents are forbidden to conduct assassination attempts on foreign

leaders, although a plot by the Libyans themselves presumably would be legal. Casey nevertheless denied that the CIA planned to kill Kaddafi—but the committee, one source said, "just doesn't trust Casey" and fired off its protest. Last week the White House said the letter is going through the "regular clearance process" and had not yet reached the President. As to the operation itself, which could have begun even without Congressional approval, the Administration had no comment at all.

Kaddafi, Hugel: The goal was 'ultimate' removal



AP



Mark Reinstein—Photoreporters



27 July 1981

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(CASEY MEETS AT WHITE HOUSE)

BY DANIEL F. GILMORE

WASHINGTON (UPI) -- ENBATTLED CIA DIRECTOR WILLIAM CASEY HELD A STRATEGY SESSION WITH TOP PRESIDENTIAL AIDES AT THE WHITE HOUSE MONDAY AS THE SENATE INTELLIGENCE COMMITTEE BEGAN ITS INQUIRY INTO HIS PAST BUSINESS DEALINGS.

THE COMMITTEE NAMED FRED THOMPSON, FORMER REPUBLICAN COUNSEL IN THE SENATE WATERGATE INVESTIGATION, TO TAKE CHARGE OF THE CASEY PROBE, AND STAFF MEMBERS WERE SIFTING THROUGH THE MATERIAL THE DIRECTOR FURNISHED SUNDAY AT THE COMMITTEE'S REQUEST.

CASEY WAS WARMLY RECEIVED BY HIS OWN PEOPLE AT THE AGENCY WHEN HE MET WITH THEM MONDAY TO OUTLINE HIS SITUATION. "I GOT A LONG OVATION," HE SAID AFTERWARD. "THEY WERE VERY SUPPORTIVE."

AT THE WHITE HOUSE LATER, HE MET WITH COUNSELOR EDWIN MEESE AND DEPUTY CHIEF OF STAFF MICHAEL DEVER, WITH DEPUTY SECRETARY OF STATE WILLIAM CLARK SITTING IN.

"HE'S NOT RESIGNING, I KNOW THAT," SAID WHITE HOUSE SPOKESMAN LARRY SPEAKES.

IT WAS THE FIRST TIME CASEY HAD BEEN IN THE WHITE HOUSE SINCE THE START OF HIS TROUBLES. SPEAKES REITERATED MONDAY THAT REAGAN IS BEHIND CASEY "100 PERCENT" BUT HE HAS NOT YET MET WITH HIM PERSONALLY REGARDING THE SENATE INVESTIGATION.

ON CAPITOL HILL, A COMMITTEE SPOKESMAN SAID, "THOMPSON CAME ABOARD TODAY, HAS MET WITH THE COMMITTEE AND IS NOW TAKING CHARGE OF THE INVESTIGATION."

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ON PAGE A-1

WASHINGTON STAR (GREEN LINE)  
27 JULY 1981

# Casey Sends His Records To Hill Panel

## CIA Director Asks For Personal Hearing

By Henry S. Bradsher  
Washington Star Staff Writer

CIA Director William J. Casey sent 10 volumes of papers, 20 inches thick to the Senate Select Committee on Intelligence yesterday, defending his personal business practices and his appointment of a political aide who later was forced to resign as head of the agency's clandestine operations.

At the same time, Casey asked the committee to give him a personal hearing to respond to charges on the two issues.

A committee official said its staff planned to complete by this afternoon a preliminary report on the materials and other evidence about Casey. The report will be submitted to Committee Chairman Barry Goldwater, R-Ariz., and Deputy Chairman Daniel Patrick Moynihan, D-N.Y.

The controversy has led Goldwater and other senators to call for Casey's resignation, despite President Reagan's cautious support for him.

A CIA spokesman issued a statement saying that Casey had complied with the committee's request and had "delivered all materials" that it asked for. The statement went on to report that a letter had been sent to Goldwater "respectfully requesting a committee hearing as soon as possible."

"Mr. Casey said that he believes it is in the best interest of the country that this matter be handled expeditiously, and to facilitate that, he would be pleased to appear personally before the committee and extend his full cooperation on any matters into which committee members may wish to inquire," the CIA statement said.

The full committee is scheduled to meet at 9 a.m. tomorrow to consider the situation surrounding Casey's appointment of a political aide as CIA spymaster and Casey's past business activities.

A decision will be taken then on whether to proceed with a further inquiry, and if so, how, the committee official said. The committee presumably also will consider then if it is necessary or desirable to hear Casey personally on the controversy that arose 13 days ago.

The controversy started with allegations of business malpractices against Max C. Hugel, whom Casey had put in charge of CIA clandestine operations. Hugel denied the allegations but resigned July 14 under White House pressure.

Casey, a personal friend of Reagan and his 1980 presidential campaign director, also had denied accusations of questionable business practices in his own background, which includes legal judgments against him.

The intelligence committee's staff obtained from the FBI last week its field reports and other records on Casey. They had been compiled when then-President Nixon named Casey to head the Securities and Exchange Commission in 1973 and when Reagan appointed him to head the U.S. intelligence community.

The committee also asked CIA general counsel Stanley Sporkin to provide information on the accusations. In reply, the agency sent 20 cartons of material to Capitol Hill early yesterday afternoon. Each carton contained a set of the 10 volumes, one each for the 15 senators on the committee and five for the staff.

The committee official said that staff members were still going through the materials late yesterday. Both Sporkin and the White House said Saturday that no serious problems for Casey were indicated by the materials.

The staff members were reviewing the materials themselves; the official said. He denied a statement attributed to Moynihan that FBI agents are working with the committee staff on the Casey case. The staff had gone to the FBI last week only to obtain pertinent files, he said.

If the committee decides tomorrow to proceed with a full-scale investigation, then it is expected to hire additional special staff for the job. A final decision has not yet been made on seeking the services of Fred Thompson, a Nashville attorney who was the Republican counsel to the Senate Watergate Committee in 1973, a committee official said.

One committee member, Sen. Henry Jackson, D-Wash., said yesterday that he hoped Casey would be given a chance this week to respond under oath to allegations. Jackson said he opposed "trying him in the press."

Moynihan also said yesterday that if Casey wants to be heard, the committee should hear him.

A number of Casey's old friends have rallied around him with similar statements on withholding judgment and with praise for his past work. Two testimonial dinners are planned for him next week by colleagues from his World War II espionage work and other public service.

ARTICLE APPEARED  
ON PAGE 9NEW YORK DAILY NEWS  
27 July 1981

# People

By PHIL ROURA and TOM POSTER

## *Say White House lists Casey replacements*

Very quietly, top White House aides are conducting a search for a possible replacement for embattled Central Intelligence Agency Director, William Casey, should he be forced to resign from office, reports Newsweek magazine. Surprisingly, the list does not include Bobby Ray Inman, who is presently No. 2 to Casey at spy headquarters. The magazine says Inman and the Reagan administration aides differ on how the agency should be run. The three men on the list obtained by Newsweek are Vernon Walters, the former CIA director who is presently an ambassador at large; Daniel Graham, of the Pentagon's Defense Intelligence Agency and Samuel Wilson, who once was head of the Defense Intelligence Agency and a former deputy director of the CIA.

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ON PAGE 23

CHRISTIAN SCIENCE MONITOR  
27 July 1981

## Watergate's influence on Washington

By Godfrey Sperling Jr.

Washington  
While Watergate has pretty much faded from the memory of most Americans, its impact remains in Washington.

The media's "Watergate mentality" was on display once again as much of the media here sprang eagerly into action in pursuit of CIA chief William Casey and his appointee Max Hugel.

Hugel was indeed a dreadful appointment, engineered almost entirely by Casey. And he stepped down from his CIA spymaster role quickly once he was accused of some dubious

### Washington letter

business operations. Then came allegations about Casey's own financial dealings.

For a few days reporters at the White House were saying among themselves that Casey was in big trouble and would have to go. Their verdict was that the CIA director could not stay on after the embarrassment he had caused the President over Hugel and the questions being raised about the propriety of his past conduct.

The storm seemed to abate, but then Sen. Barry Goldwater, chairman of the Senate Intelligence Committee, asserted that Casey should step down. Some other members of Congress are echoing this view while there are public officials, including the President, rallying to Casey's side.

The press is in full cry again, close on Casey's heels. Some reporters seem to be sniffing a kill. Their prosecuting attorney type of questions at White House briefings, first about Hugel and now about Casey, are not up to the Watergate-period level, but investigative reporters clearly are on the prowl, hoping to find information that would bear decisively on the Casey appointment.

This city is churning with a sort of excitement — a kind of emotional anticipation — as Casey fights to save his job.

This media "Watergate mentality" stems in large part from those editors, reporters, and public officials who do have lofty motives. To say otherwise would be cynical — and untrue. For the most part they do want to improve the ethical climate in government. But it is also fair to say that this

mentality, as evidenced in the press, stems, too, from those editors and reporters who, for competitive, professional, and personal reasons, are constantly working to come up with another big story of Watergate proportions.

Thus members of the media here dig hard to uncover information about government wrongdoing. They leap into action the moment it appears that a high government official may have committed a breach of ethics — working vigorously to get at all the facts involved and, perhaps, dredge up more. Their motives aren't entirely to bring about cleaner government. It would be naive to say so. No doubt visions of page-one stories and possible prizes sometimes dance before their eyes.

On Capitol Hill, too, the charges against Hugel and Casey have stirred up a great deal of interest. Watergate has made members of Congress more vigilant about ethical misconduct among their colleagues and government officials.

Senator Goldwater's intelligence committee is looking into the charges against Casey and it seems to be in the mood to call for Casey's resignation if the CIA director isn't able to explain or disprove some of the allegations now being made against him.

Congress, since Watergate, has intensified its scrutiny of the conduct of government officials in general and, particularly, of itself. It is fully aware that the public has less than full trust in its ethics, and it seems to be trying to raise its ethical standards and to do a better job of policing itself.

But members of Congress are not oblivious to the TV exposure that came to senators and congressmen involved in Watergate-related hearings and the like. So self-interest moves them, too, when they quickly step in to look at Bert Lance's banking practices or, as of now, to probe into Casey's past.

On balance, the media's "Watergate mentality" is a positive thing. Washington today is more alert to ridding itself of ethical misconduct. In this sense, the scandal of the Nixon years appears to have had a good effect.

But the public should be aware that a self-serving element is sometimes present as the press and public officials go after malfeasance in government.

Godfrey Sperling Jr. is chief of the Monitor's Washington bureau.

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ON PAGE 4.

CHRISTIAN SCIENCE MONITOR  
27 July 1981

## The case of Casey: will he survive growing opposition?

By Godfrey Sperling Jr.  
Staff correspondent of  
The Christian Science Monitor

Washington

Will William J. Casey be forced to resign?

President Reagan is known to believe that his CIA chief will be able to hold his job unless, as one White House aide puts it, "there is a new revelation — beyond any of the charges against Casey that we have yet seen."

Questions have been raised about Mr. Casey's financial dealings before he took his appointment as director of the Central Intelligence Agency (CIA).

The call for Casey to resign has been gaining in intensity on Capitol Hill.

Sen. Barry Goldwater (R) of Arizona, chairman of the Senate Intelligence Committee, thinks Casey damaged himself irreparably by making Max C. Hugel head of CIA covert operations. Mr. Hugel resigned when he was charged with being involved in questionable business dealings in the 1970s.

Meanwhile, this city is again absorbed by the possibility of yet another public official falling by the wayside because of allegations of misconduct.

The President himself made one comment, caught on television, which showed him expressing some uncertainty as to whether he would stick with Casey.

But since then, Mr. Reagan has let it be known that he believes Casey is doing a fine job at the CIA and has said he is standing fully behind him.

It also is understood that the President has heard from several senators who have urged him to withhold judgment until all the facts are in and have been carefully weighed.

Reagan is indeed withholding judgment on Casey — but taking the position that Casey is innocent of allegations against him unless some impressive proof of these charges comes to light.

This Reagan position stops considerably short of the well-remembered words of President Carter when, as the storm clouds gathered over T. Bertram Lance, he said in stout defense of his Office of Management and Bud-

get director: "I'm proud of you, Bert."

Should some new charges against Casey prove out, or old charges be substantiated, it will be easier for Reagan to move away from his CIA chief — to let him know through aides that his resignation would be appreciated.

A federal district court judge has ruled that Casey participated with several others in an investment offering that "omitted and misrepresented facts" to investors. A response from one of Casey's lawyers was that Casey was a passive investor and did not violate the federal security law.

The New York Times has published a report that Casey failed to tell the Senate earlier this year about his stock holding in one corporation and a gift of \$10,000 interest in another business venture.

Sen. Daniel P. Moynihan (D) of New York, vice-chairman of the Senate Intelligence Committee, says the committee will ask Casey to provide information about how much federal income tax he paid and, if legally possible, would seek to obtain copies of his tax returns.

Meanwhile, defenders of Casey were making themselves heard, including Sen. Paul Laxalt (R) of Nevada; Stanley Sporkin, CIA general counsel and former enforcement chief at the Securities and Exchange Commission, and Leonard Mark, former director of the US Information Agency.

Two other Republicans on the Intelligence Committee, Sens. William V. Roth Jr. of Delaware and Ted Stevens of Alaska, have joined Mr. Goldwater in calling on Casey to resign.

They, like Goldwater, say they think Casey's ability to run the CIA was severely damaged by the bad judgment he displayed in putting the inexperienced Hugel in such a high-level position.

Over the weekend, the storm over Casey showed no sign of subsiding. The prediction among veteran observers here is that Casey may be able to save his job, that something more must be uncovered before his departure becomes inevitable.

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# THE SPIES ARE CATCHING COLD

Michael Kramer

## Ministry of Embarrassment

ANY ATTEMPT AT UNDERSTANDING THE CIA's current troubles has to begin with Max Hugel. The first question is simple: How did a short, excitable New Hampshire businessman with virtually no intelligence experience—a man who has boasted of lying in business deals and who once claimed to speak fluent Japanese in order to avoid combat in World War II—become America's top spy?

"You know the line about how it's not what you know but who you know," says a White House aide. "Well, that's Max. Of course, he never belonged in the job in the first place. He belonged with the other clunkers in some position where he couldn't do any harm."

Max Hugel had two very important friends, two rabbis, as they're called in politics, who pushed him onto the Reagan presidential campaign and then into the CIA. The two were Bill Casey, the CIA's director, who had served as chairman of the Reagan campaign, and William Loeb, the controversial (to put it mildly) publisher of the most influential newspaper in New Hampshire, the *Manchester Union Leader*.

Casey has known Hugel for years, but before Casey assumed control of the Reagan effort, it was Loeb who really went to bat for Max. Here's Bill Loeb expressing his frustration with the Reagan operation and offering a solution—a broken record Loeb would play all during the primary and general-election campaigns: "In my opinion," said Loeb to a friend, "the fundamental problem with Ron is surrounding himself with some second-, third-, and maybe even fourth-rate minds. And he listens to them."

"The best man on the Reagan staff is Max Hugel, who I practically had to force the Reagan people to take. Max gave up a job as executive vice-president of Centronics to work for nothing on the Reagan campaign. He doesn't want to be ambassador. He doesn't care if he has a rug on the floor of his office or what title he has. He just wants to help save the country. This makes him suspect on the Reagan staff, most of whom are licking their chops over the positions they are going to hold when Reagan enters the White House."

"Max is a street fighter, and he is the only street fighter around Ron—which is another problem. These people with which Ron has surrounded himself are typical upper-middle-class folks. They don't understand the average American, otherwise they wouldn't have let Nancy pick that magnificent estate in Virginia [which served as the Reagan's East Coast home during the campaign]. Every time the TV audience sees that, they say,



Agent of deception? CIA's Casey, accused of stock fraud.

"Yup, those Republicans are nothing but rich folks; they don't care about me."

"Ron needs somebody like Max traveling with him, at his right elbow, to help avoid some of the mistakes that have been made."

Loeb's prodding worked. Hugel began as the Reagan chairman in the town of Nashua. He wasn't there long. After Reagan buried George Bush in the New Hampshire primary, Max finally made it to the national campaign staff—thanks again to Bill Loeb, who had used his newspaper to credit Max with Reagan's victory. Loeb called Hugel "the man with the answers."

As the national coordinator of volunteers and special groups, Hugel was

something of a joke. He seemed to have a new scheme every day. He wanted 3-million people to walk across the country selling Ronald Reagan. He envisioned a chair letter that would reach 20 million people. He kept suggesting that every major stadium in the United States be filled with Reagan supporters and that their enthusiasm be shown to their comrades in a satellite hookup.

Occasionally, Max would even talk to the press, stringing together profundities like "We're going after the big states because they have the most votes." And all the while, Max's budget grew—at least on paper. Before it was cut back because there was only about \$30-million available for the entire campaign, Max had put his operation down for a cool \$3 million. He ended up with about \$200,000, and he was isolated. "We had to create a buffer," says a Reagan aide. "We actually had two people assigned to make sure that none of Max's harebrained schemes had any real impact on the political side of the campaign. They could have been disastrous."

Where everyone else saw incompetence and naïveté, Bill Casey perceived a gutsy guy with drive and imagination—just the kind of fellow, Casey told the president, that the country needed to shake up the CIA's overcautious clandestine service.

Which brings us to Max's downfall. From the beginning, Hugel's appointment as spy master was derided by the CIA's old hands. Cord Meyer, now a syndicated columnist and once the nation's chief spook, described Max as a "rank amateur," which he was. But, somehow, the stock manipulations that eventually caused Max to lose his job were never uncovered when the CIA probed his background prior to his initial appointment as Casey's special assistant.

"You have to understand," says a former CIA official, "the background checks are thorough. And one can be done quickly, as Hugel's was. But if no one comes forward with the information, we're just not going to pick it up. Maybe some of the stock stuff he was involved in would have shown up in his tax returns, but, believe it or not, we really aren't allowed access to them." (Well, that's one area that needs reform. Surely, government employees in sensi-



tive posts should be required to make their financial records available. If the concern is that such people might be blackmailed—which is the CIA's first worry—then, certainly, a person's finances should be checked in advance. Something else has to be changed too. The CIA relies heavily on lie detectors. "But the lie detector will lie," says an FBI agent, "if the person being examined honestly believes he did nothing wrong—or if he's a pathological liar, which, of course, is exactly the kind of person you *don't* want at the CIA.")

And what of Max Hugel's boss? For the moment, at least, the administration has determined to tough out Bill Casey's own financial problems. But the White House is leaving itself an out. "Casey is appealing the court decision [that found he and some associates had knowingly misled investors in a \$3.5-million fundraising effort for a now defunct New Orleans company]," says an administration official. "If the appeals fail, then we'll take another look. Or if the media won't let go in the meantime, then we'll have to act in order to keep the press from going after Bill when we need the focus to be on the tax and budget legislation."

Meanwhile, some senators in charge of overseeing the CIA's activities are worried about Casey for other reasons. "Casey's politicized the agency," says Senator Pat Moynihan. "Sure the stock stuff is bad," says another senator, "but the Hugel thing is more disturbing be-

cause it calls Casey's judgment into play. Is this the kind of guy we want running the CIA?" CBS has reported that Barry Goldwater, chairman of the Senate Intelligence Committee, shares this sentiment, and other Intelligence Committee senators are peeved about having first learned of some covert CIA operations from the press.

The bottom line in all this is complex. "Unquestionably," says a former deputy CIA director, "the agency is better off with Hugel gone and a real professional in his place." Also, current proposals to amend the Freedom of Information Act to exempt the CIA almost wholly from the law's disclosure provisions are probably in serious trouble.

And, finally, the ball is now in Ronald Reagan's court. In seeking to distance the president from the Hugel affair last week, a White House aide said that "Hugel was Casey's choice, Casey's buddy, and Casey's problem." Well, with Bill Casey himself now "under a cloud" (to use Senator Paul Laxalt's phrase), it can be said that "Casey was Reagan's choice, Reagan's buddy, and Reagan's problem." And before the president concludes he can stand by a loyal friend indefinitely without damaging his own credibility, he ought to place a call to Georgia and ask Jimmy Carter about Bert Lance.

# Casey hands over a defense

By Robert Lenzner  
 Globe Staff

William J. Casey, director of the Central Intelligence Agency, sent bundles of defense materials to the Senate Intelligence Committee yesterday in an attempt to resolve the boiling controversy over his tenure.

The 68-year-old intelligence chief, facing charges about past business dealings, sent a letter along with the documents yesterday to Sen. Barry Goldwater (R-Ariz.), chairman of the committee, asking to appear before the panel "as soon as possible" to explain his position. Goldwater is among several senators who have called for Casey's resignation.

David R. Gergen, senior White House spokesman, has indicated that President Ronald Reagan will continue to support Casey unless there is some new allegation of financial impropriety. Casey directed Reagan's election campaign, and was chairman of the search committee that investigated candidates for senior positions in the Administration.

Casey had promised last Friday to deliver the material today, but apparently speeded up his response when the committee staff indicated it would finish writing a preliminary report today on its inquiry into his dealings.

The documents delivered yesterday represent the major thrust of the CIA director's defense. Here are the main charges against Casey and answers to them provided The Globe by CIA general counsel Stanley Sporkin, who is handling Casey's defense before the Intelligence Committee, in a telephone interview yesterday.

● Casey, as a director in Multiponics Inc., a now defunct New Orleans soybean operation, was found to have, along

with other directors,

in a May 19 federal court decision, omitted and misrepresented facts in a 1968 private financing circular for the company. Casey's New York law firm Hall, Casey, Dickler and Howley represented Multiponics.

Sporkin answered: "We haven't been able to determine that his (Casey's) firm was the lawyer for any document. The broker, Glore Forgan placed it (the financing) and they probably used their own law firm."

● Nevertheless, Casey has been found to have acted improperly in misleading potential investors 13 years ago.

Sporkin: "I think the case is irrelevant. Suppose he has to pay some money. Why does that that disqualify him from the post?"

● Casey is under attack for appointing Max Hugel, a New Hampshire businessman, director of the agency's important clandestine operations. Hugel was forced to resign this month after revelations of improper stock trading practices.

Sporkin answered: "I have examined all the reports on Hugel presented to the agency." The reports, Sporkin said, show Hugel to be an "outstanding" person, "and there was no reason to know of any allegations" against him.

● Casey is under fire also for not disclosing a stock investment and a gift of an interest in a private company to his confirmation hearings before the Senate last January.

Sporkin said he believed Casey's \$100 payment for a \$10,000 interest in a computer operation could be construed as an investment rather than a gift. "He paid for it. Who knows what it's worth. Why is that a gift? This is no Bert Lance case at all," he said yesterday, referring to President Jimmy Carter's director of the Office of Management and Budget, who was forced out of the White House.

Nevertheless, the Senate Intelligence Committee will be presented at a meeting scheduled for tomorrow with information questioning Casey's business dealings over the past two decades.

In the Multiponics case, Judge Charles Stewart's opinion draws attention to the difference between the optimism of the private financing circular in 1968 as compared to the more pessimistic description in the registration statements filed with the SEC in 1969 and 1970.

*CONTINUED*

The SEC does not have the authority to review private financings if they are distributed to fewer than 100 potential investors. The penalties for misleading investors in a public SEC filing are much stiffer.

The 1968 privately circulated offering described Multiponics as "seven operating farm units operated until recently by an experienced group of agricultural, managerial and financial entrepreneurs." It gave the impression of a vigorous, ongoing operation.

However, when Multiponics filed with the SEC in September 1969 and July 1970 to prepare for a public financing, the description of the original status of the farms units was quite different: two farms were not operating; only sharecropping existed on two others, and another farm was operating at a loss.

Moreover, Judge Stewart found that the original circular did not disclose substantial indebtedness of \$2.7 million, including \$301,000 to Casey. Nor did Casey dispute the facts that were misstated or omitted according to Stewart's decision. Several directors testified they relied on Casey's judgment, among others, for the contents of the circular. At the time Casey owned 66,000 shares at a total cost of \$145,614.

Sporkin told The Globe yesterday that the filings made to the Senate Intelligence Committee show that Multiponics was a real company. The papers will show that Casey lost money, "that two of the founding fathers invested \$2 million of their own money after the private financing, that four of the directors were graduates of the Harvard Business School, and that if they had waited a year more the soybean price would rise. Our papers will show that sophisticated investors understood this was a private placement."

From January 1968 to February 1971, when it went bankrupt, Multiponics lost more than \$6 million in a plan to grow soybeans on 44,000 acres of land in four Southern states.

Sporkin, formerly chief of the enforcement division of the Securities and Exchange Commission when Casey was chairman of the SEC, and a renowned regulator of securities violations, appeared at an unusual public press conference on Saturday to support Casey.

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NEW CONTROVERSY SHADOWS CASEY'S TENURE

BY ROBERT PARRY

AND

BY MICHAEL J. SNIFFEN

ASSOCIATED PRESS WRITERS

WASHINGTON (AP) - Embattled CIA Director William J. Casey, stepping up his fight to keep his job, faces a new controversy over a CIA covert action plan that sources say he approved in an effort to topple Libyan strongman Moammar Khadafy.

One Republican source said Sunday night that Casey recently presented the House Intelligence Committee with a proposal that the CIA try to undermine the radical Arab leader.

Rep. Clement J. Zablocki, D-Wis., a member of the committee, said Chairman Edward P. Boland, D-Mass., and others on the panel had sent a letter to President Reagan protesting a proposed covert action that Casey had approved.

Zablocki declined to identify the target of the proposed covert action, but the Republican source, who asked not to be identified, said it was Libya.

Also on Sunday, Casey asked the Senate Intelligence Committee to allow him to appear at a committee hearing as soon as possible to try to dispel questions about his past business dealings, his management of the agency and calls for his resignation by three key Senate Republicans.

Casey sent each member of the Senate Intelligence Committee a 20-inch stack of written material Sunday afternoon, one day earlier than he had initially promised.

These responses were in answer to four pages of questions the committee sent Casey last week regarding his role as a director of a failed New Orleans farming venture called Multiponics Inc. and his appointment of Max Hugel, a businessman inexperienced in intelligence, to head the CIA's worldwide spy network, CIA spokesman Dale Peterson said.

Casey apparently speeded up his response when the committee staff indicated it would finish writing a preliminary report on its inquiry into Casey today for presentation to a closed committee meeting Tuesday morning. Casey had said Friday that his responses would lay the entire controversy to rest.

Newsweek magazine reported the covert operation was designed to overthrow Khadafy through a "disinformation" campaign to embarrass him, creation of a counter government to challenge his leadership and a paramilitary campaign.

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The magazine said the CIA's goal was Khadafy's "ultimate" removal.

2  
AND THAT HOUSE COMMITTEE MEMBERS READ THIS AS CODE FOR ASSASSINATING HIM. THE MAGAZINE SAID THE COMMITTEE MEMBERS ALL BUT CASEY'S DENIAL OF ANY INTENT TO KILL KHADAFY, DESCRIBED BY REAGAN AS A PREMIER SUPPORTER OF INTERNATIONAL TERRORISM.

REP. C.W. YOUNG, R-FLA., A COMMITTEE MEMBER, DECLINED TO DISCUSS THE NEWSWEEK REPORT BUT SAID: "IT IS DEFINITELY AGAINST OUR POLICY TO ENGAGE IN ANY TERMINATION OF ANY INDIVIDUAL." ASSASSINATION IS BARRED BY AN EXECUTIVE ORDER ISSUED BY FORMER PRESIDENT CARTER.

"THERE WAS SOME RESERVATION ABOUT THE COVERT ACTION," ZABLOCKI SAID. "I THINK THE COMMITTEE HAS A RIGHT TO VOICE ITS CONCERN."

ONE SOURCE CLOSE TO THE COMMITTEE SAID THE LETTER TO REAGAN DID NOT MENTION DETAILS OF THE ACTION INVOLVED, BUT THAT ANYONE FAMILIAR WITH THE PLAN WOULD HAVE UNDERSTOOD IT ADDRESSED THE LIBYAN PROPOSAL.

THE SOURCE ADDED THAT THERE HAS BEEN NO INDICATION REAGAN DECIDED TO CALL OFF OR ALTER THE COVERT ACTION BECAUSE OF THE COMMITTEE'S CRITICISM.

ONE SENATE REPUBLICAN SOURCE FAMILIAR WITH INTELLIGENCE PRACTICES SAID PROFESSIONAL INTELLIGENCE OFFICERS WOULD INTERPRET "ULTIMATE" REMOVAL AS MEANING ASSASSINATION AND THAT THE WHOLE EFFORT SOUNDED "JUVENILE; OUT OF A COMIC BOOK. IT SOUNDS LIKE THEY SAW TOO MANY MOVIES. IF CASEY SIGNED THAT, CASEY SHOULD GO."

THE LIBYAN NEWS AGENCY SAID EARLIER THIS MONTH THAT EGYPT PLANNED TO INVADE LIBYA WITH HELP FROM ISRAEL AND THE UNITED STATES IN AN EFFORT TO OVERTHROW KHADAFY. EGYPT AND ISRAEL DENIED THE REPORT, AND THE STATE DEPARTMENT DECLINED COMMENT.

THERE WAS NO IMMEDIATE RESPONSE TO CASEY'S REQUEST FOR AN EARLY HEARING, BUT ONE SOURCE CLOSE TO THE COMMITTEE SAID IT WAS LIKELY CASEY WOULD BE CALLED TO TESTIFY AND THAT THE COMMITTEE WOULD HIRE FRED THOMPSON, A NASHVILLE, TENN., ATTORNEY, AS SPECIAL COUNSEL FOR ITS CASEY INQUIRY. THOMPSON WAS MINORITY COUNSEL TO THE SENATE WATERGATE COMMITTEE IN 1973.

LAST WEEK, GOLDWATER, A COMMITTEE REPUBLICAN, SEN. WILLIAM V. ROTH OF DELAWARE, AND DEPUTY GOP SENATE LEADER TED STEVENS OF ALASKA CALLED ON CASEY TO RESIGN.

HUGEL RESIGNED ABRUPTLY ALMOST TWO WEEKS AGO AFTER TWO FORMER NEW YORK STOCKBROKERS ACCUSED HIM OF MANIPULATING STOCK IN ONE OF HIS FIRMS IN 1974. HUGEL DENIED ANY WRONGDOING.

SURFACING SHORTLY THEREAFTER WERE TWO PREVIOUSLY OVERLOOKED FEDERAL COURT RULINGS CRITICAL OF CASEY'S ROLE IN MULTIPONICS.

IN MAY, A FEDERAL JUDGE IN NEW YORK RULED THAT HE AND OTHER DIRECTORS OF THE FIRM HAD KNOWINGLY MISLED POTENTIAL INVESTORS IN IT. A YEAR AGO, A FEDERAL APPELLATE COURT IN NEW ORLEANS RULED THAT CASEY AND HIS CO-DIRECTORS HAD DRIVEN MULTIPONICS "DEEP AND DEEPER INTO DEBT" BY MANAGING IT IN A "PATTERN OF SELF-INTEREST."

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LOS ANGELES HERALD-EXAMINER (CA)  
27 July 1981

# Curtains for Casey

Now Sen. Goldwater wants the CIA chief axed, too

**S**en. Barry Goldwater, chairman of the Senate intelligence committee, has called for the resignation of CIA Director William J. Casey. And when the Arizona Republican speaks — Mr. Conservative-himself — people listen.

In the days since Mr. Goldwater's drubbing in the 1964 presidential race, the public has tempered its opinions of the man as his views have been shown much more temperate than his opponents have portrayed them. He has become the elder statesman, but one increasingly forthright and candid as he speaks out on the day's issues. He has been steadfast in his conservative philosophy but not doctrinaire.

It was Sen. Goldwater who led the conservative counterattack on the Moral Majority's drive to derail Sandra Day O'Connor's nomination to the U.S. Supreme Court. The organization, under the leadership of the Rev. Jerry Falwell, didn't find her like-minded enough on the abortion issue. Reflecting on the fight, Sen. Goldwater said in his inimitably colorful style: "Every good Christian ought to kick Falwell right in the ass." Mrs. O'Connor's opposition has since been considerably defused.

And no sooner had Sen. Goldwater summoned an extraordinary press conference last week to call for Mr. Casey's resignation than Republican support for the CIA director began to dissolve. The senator said Mr. Casey's appointment of an inexperienced person, Max Hugel, to head the agency's clandestine services operations showed inexcusably bad and "dangerous" judgment (the very point a

Herald Examiner editorial made earlier this month). Clandestine services is one of the most sensitive posts in government. Hugel resigned amidst accusations that he engaged in highly improper business dealings. A judge recently ruled Mr. Casey guilty of similar charges.

In the Casey-Hugel matter Sen. Goldwater has the welfare of the nation's intelligence community uppermost in mind — no question about it. He rightly sees the biggest threat to the agency coming from within. As our editorial said, it would be a blow to national security for the CIA to lose the strength and stature it has recently regained after years of eroding public confidence. Sen. Goldwater is of the same mind. A sound, conservative, patriotic assessment of the matter leads clearly to the conclusion that Mr. Casey must go.

It is now "impossible for Mr. Casey to effectively discharge his duties," said Sen. William Roth, a Delaware Republican who also sits on the intelligence committee. "The person who holds this extraordinary position of public trust must, as some have aptly put it, be cleaner than a hound's tooth." Sen. Roth went on to say that, "at a time when this country's security is being threatened around the world, the United States cannot afford to see its intelligence service diverted from its critical responsibilities by the kinds of allegations now being made." Added Sen. Ted Stevens, R-Alaska: Mr. Casey should quit "for the good of the agency."

Well put, gentlemen. Obviously your concern is for the best interests of the country. ■



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ON PAGE 43

THE WASHINGTON POST  
27 July 1981

## CIA Plan on Libya Reported

United Press International

CIA Director William J. Casey approved an agency plan to depose Libya's Muammar Qaddafi, Newsweek magazine reported yesterday. But the House Intelligence Committee was so outraged by the plan, the magazine said, that it sent a "strong letter of protest" to President Reagan.

Newsweek said Max Hugel, the CIA deputy director of covert operations who resigned earlier this month after allegations of improper business practices, presented the agency plan to the House committee.

Casey, who was Reagan's presi-

dential campaign director, is currently facing a Senate committee investigation into his past business dealings and his appointment of Hugel.

The CIA plan, according to the magazine, called for a "disinformation" campaign to embarrass Qaddafi, the creation of a counter-government to challenge his authority, and a paramilitary campaign.

An administration spokesman, according to Newsweek, said Reagan has not yet seen the committee's letter of protest because it is going through "the regular clearance process."

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ON PAGE 2.

WALL STREET JOURNAL  
27 July 1981

## CIA's Casey Faces a 'Full-Blown' Probe If He Doesn't Quit, Some Senators Warn

By GERALD F. SEIB  
And JONATHAN KWITNY

Staff Reporters of THE WALL STREET JOURNAL  
WASHINGTON — CIA Director William

Casey will face a long and potentially embarrassing Senate investigation of his business affairs if he doesn't quit, lawmakers warn.

The staff of the Senate Intelligence Committee is scheduled to submit today a report on Mr. Casey's business history and financial disclosure statements. The panel will hold a closed session tomorrow to discuss the report.

Yesterday afternoon, Mr. Casey sent the committee cartons of documents giving details of his financial affairs. He also asked to appear personally before the committee as soon as possible, but aides couldn't say whether he would be invited.

Some committee members say this week's report, begun just nine days ago, won't clear up all the questions surrounding Mr. Casey's financial history.

Unless he resigns as chief of the Central Intelligence Agency, lawmakers say, the report would be only the prelude to a long investigation by the Senate.

"If he's going to stay, I think it's incumbent for the committee to do a full-blown investigation with hearings," said panel member Sen. Joseph Biden (D., Del.). "I'd like to avoid all of that."

Both Republicans and Democrats are worried that such a long public debate will shatter morale at the CIA. They believe the agency is just recovering from turmoil that arose from long Senate hearings in the mid-1970s into abuses by intelligence officials.

As a result, some influential Republicans think Mr. Casey should quit. Alaska Sen. Theodore Stevens, the Senate's second-ranking Republican, called on Mr. Casey to step aside, saying Senators are "worried about the future of the agency if the director becomes the focal point of controversy right at this time." Similarly, Sen. William Roth (R., Del.) asked Mr. Casey to resign so that the CIA's attention isn't "diverted from its critical responsibilities by the kinds of allegations now being made."

The committee staff has been investigating Mr. Casey's activities as a director of Multiponics Inc., a failed agricultural concern. A federal judge in New York recently ruled that Mr. Casey and other Multiponics directors misled potential investors about the company's finances.

The staff also is looking into other lawsuits and business activities that Mr. Casey didn't disclose in statements required of presidential appointees, congressional aides said. For example, they said, Mr. Casey didn't disclose his involvement in a second suit against Multiponics in Louisiana.

In addition, aides said, the staff will look into Mr. Casey's role as an attorney representing SCA Services Inc., a waste-disposal concern that has been linked in public records and sworn testimony to organized crime. After serving as chairman of the Securities and Exchange Commission, Mr. Casey represented SCA in dealings with the commission.

Mr. Casey has pledged to provide materials to the committee by today that will resolve "this entire controversy." He has refused requests for interviews.

Congressional unhappiness with Mr. Casey doesn't all stem from his business activities, though. Lawmakers are openly questioning his job performance, particularly his judgment in appointing Max Hugel as chief of the CIA's spy operations. Mr. Hugel, who hadn't any experience in intelligence operations, was forced to resign after being accused of improper and possibly illegal business activities. He has denied wrongdoing.

Sen. Barry Goldwater (R., Ariz.), Chairman of the Senate Intelligence Committee, also is angry that the panel wasn't informed in advance of the brewing scandals over Mr. Hugel and Multiponics, aides said.

The unhappiness with Mr. Casey on Capitol Hill "seems to be an accumulation of events," said one White House official. Some Senators would like to see Mr. Casey's deputy, Admiral Bobby Ray Inman, step into the top CIA job, he added.

Admiral Inman is a longtime intelligence official who is widely respected by other professionals in the field. Earlier this year,

Sen. Goldwater called him "the outstanding intelligence expert in the world." Most observers think the White House would name him to head the CIA if Mr. Casey resigned.

Publicly, though, the White House strengthened its support of Mr. Casey over the weekend. "The President believes Bill Casey is a good and decent man who has served the country well for a good many years," said White House spokesman David Gergen. "He also believes Mr. Casey is doing a fine job at the CIA."

In addition, some Senators spoke out in defense of Mr. Casey. Sen. Henry Jackson urged his colleagues to give Mr. Casey more time to respond to recent allegations. "It looks to me like they're trying to lynch him in public," the Washington Democrat said on NBC-TV's "Meet the Press." Most of the allegations against Mr. Casey "have been around for a while," Sen. Jackson added.

Sen. Paul Laxalt (R., Nev.), a close friend of President Reagan, also urged at a weekend news conference that Senators keep an open mind, give him a fair chance. Stanley Sporkin, CIA General Counsel, and Leonard Marks, former U.S. Information Agency director, also defended Mr.

After considering the report of its staff tomorrow the committee may communicate its feelings about Mr. Casey to the White House, staff members said.

Among issues in the Casey inquiry is his extensive legal work for SCA Services, a company traded on the New York Stock Exchange, after Mr. Casey served as SEC chairman from 1961 to 1973.

According to SEC officials, Mr. Casey personally negotiated a settlement of SCA's complex troubles with the SEC in 1977. Last year, Mr. Casey's law firm prepared an extensive public-relations program for SCA and urged the company to use the program to counter SCA's tainted image.

Christopher P. Becklitis, SCA's president until his resignation in 1975, was convicted of wire fraud and filing false statements with the SEC. Burton Stein, its chairman until his resignation in 1976, was convicted of filing false statements. The offenses concerned what the SEC said was a diversion of some \$4 million to Mr. Becklitis's personal use. Anthony Bontro hoped divert the money, the SEC said, and was later sentenced to prison with his close associate, Mafia captain and then-Teamster official, Anthony "Tony Pro" Provenzano, for conspiring to split a \$230,000 kickback on a \$2.3 million Teamster pension fund loan.

Last month, Thomas C. Viola, who succeeded Mr. Stein as chief executive officer of SCA, was himself replaced after a House committee heard charges that he was involved with organized-crime figures in the waste-disposal business in his home state of New Jersey. Mr. Viola later, in his own testimony, maintained his innocence.

SCA's representation by Mr. Casey's New York law firm, Rogers & Wells, was brought to light by John Kelly, editor of Counterspy Magazine in Washington. Caesar Pittassy, managing partner of Rogers & Wells, said at least 20 people in the firm worked on the SCA account, but "my recollection is that Casey didn't have anything to do with it."

SEC officials confirmed for this newspaper, however, that Mr. Casey successfully settled the SEC's charges against SCA relating to the \$4 million fund diversion, false disclosures and what the SEC said were "bribes to obtain contracts and to obtain permission to use property owned by SCA for landfill." In the settlement SCA neither admitted nor denied the charges. It agreed to appoint two outside directors acceptable to the SEC and to maintain an audit committee of four outside directors.

An SCA official who didn't want his name used said Mr. Casey and the late Jack Wells, a Rogers & Wells partner, led the SCA's legal team for the firm.

Neither Rogers & Wells nor SCA would say when SCA hired the firm, although Joe Poren, SCA's director of corporate and community relations, said it "could have" been as early as 1974. The SEC charges involved events occurring in 1974 and 1975.

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# RADIO TV REPORTS, INC.

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FOR PUBLIC AFFAIRS STAFF

PROGRAM Nightline

STATION WJLA TV  
ABC Network

DATE July 27, 1981 11:30 PM CITY Washington, DC

SUBJECT Full Text

TED KOPPEL: William J. Casey, the embattled Director of the CIA. Tonight we'll examine Casey's career and the background of the current demands that he resign. We'll talk live with the number two man at the CIA, Admiral Bobby Inman.

And on another top story we'll take a look at preparations for the Royal Wedding in London from the vantage point of an American visitor.

ANNOUNCER: This is ABC News Nightline. Reporting from New York, Ted Koppel.

KOPPEL: Good evening.

If you don't know where to look you might not notice anything out of the ordinary. But there are armies massing in Washington, DC these days. They don't march in formation nor do they wear uniforms. And the weapons they use for this battle is already underway, the weapons of the telephone and the mimeograph machine, the telegram and the news conference.

This battle is for the political survival or destruction of one of the President's men, William Casey.

The efforts to unseat Mr. Casey from his position as Director of the CIA are on one level easily visible, with open calls, for example, from several prominent Republican senators for his resignation. Less visible on the part of Mr. Casey's opponents, the gossip, the news leaks. And less visible among Casey supporters, the rallying of the "old boy" network, the call, as in this mailgram which was sent out last Friday to an alumni of the OSS and many other friends of Bill Casey for special support luncheons in New York and

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ON PAGE 12.

NEW YORK DAILY NEWS  
27 July 1981

## William Casey:

### the spy who came in from the Cold War

IT TAKES a special sort of person to persuade an official of a foreign government to betray his country. You need a smooth operator, a fast talker, an ingratiating sort of personality with a sense of flair and salesmanship, the kind of man who could sell a shoeshine and a derby to a whirling dervish, or watered stock on Wall Street.



Lars-Erik  
Nelson

All of which is a way of saying that there is a place for men like William Casey in the Central Intelligence Agency. Recruiting traitors is one of the CIA's tasks. It is not called "recruiting traitors," of course. It is called "developing assets." It is one of those dirty tasks of statecraft that get swept under the rug, like running covert military operations

against countries with whom we are not at war and cozying up to police chiefs in military dictatorships that profess to be anti-communist.

Bill Casey comes from the old school of secret operations, when agents were parachuted behind enemy lines and submarines launched rubber boats full of spies in the dead of night off hostile coasts.

Too often the secret operatives were caught on the spot—like every single agent infiltrated into the Netherlands during World War II, and every single German spy in Britain—but still, there is a nostalgia for the good old days, nurtured by the memoirs of former spymasters and countless novels and movies.

In intelligence, as in many other things, the Reagan administration has an affection for those good old days. It wants to revitalize the clandestine side of the CIA. It wants to let Cuba's Fidel Castro and Libya's Moammar Khadafy know that two can play at the game of subversion and assassination, gun-running and terror.

"If you wanted to take out Khadafy, you'd have to do it in one night," says an old CIA hand, speaking purely theoretically of course. "If the operation lasted two days, he'd be able to call in the Russians. So you'd have to do it quickly."

THE PROBLEM is that taking out Khadafy wouldn't solve any real problem. Nor would knocking off Castro. "If you kill 'em and make martyrs of 'em, they may be more dangerous dead than alive," the Old Hand observed.

The world of intelligence has changed since the heady days when Casey was at the CIA's predecessor, the Office of Strategic Services. Today the National Reconnaissance Office operates spy satellites so sophisticated that, as one intelligence official said, "You could walk out onto the field at LaGuardia Airport at 10 o'clock in the morning and have a picture of yourself in your hands at four o'clock in the afternoon."

The intelligence community looks at itself today as a business that produces a "product" to be used by "consumers"—the President and the Congress. The "product" most useful now is hard intelligence on Soviet oil production so that this country can anticipate Soviet expansionism in the Middle East.

To preside over the multiply split personality of the CIA—the spies, the operatives and the analysts—takes a particularly broad kind of executive, somebody who is both scholarly and tough, somebody who knows what the nation's problems will be tomorrow, not simply what they were during the Cold War.

This realization is behind much of the arguments that have built up against Bill Casey as director of the CIA. Each individual allegation of his business shenanigans would be survivable—if he were eminently qualified, by training and temperament, to survive as the director of Central Intelligence.

The fact is that many members of the Senate Select Committee on Intelligence believe that he is not so qualified.

There is, to repeat, a place for a William Casey in the CIA. But in 1981, it is probably not at the top.

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WASHINGTON STAR (GREEN LINE)  
27 JULY 1981

## CIA Reportedly Targeted Kadafi

CIA Director William J. Casey approved an agency scheme to topple Libya's Muammar Kadafi from power, it was reported yesterday.

But the House Select Committee on Intelligence, Newsweek magazine said, was so outraged by the plan that it sent a "strong letter of protest" to President Reagan.

Casey, Reagan's presidential campaign director, is currently facing an investigation into his past business dealings by the Senate Intelligence Committee.

Newsweek said Max Hugel, the CIA deputy director of covert operations who recently resigned after reports linked him with possibly illegal business practices, presented the agency plan to the House committee.

The CIA plan, according to the magazine, called for a "disinformation" campaign to embarrass Kadafi, the creation of a counter government to challenge his authority and a paramilitary campaign.

The House committee interpreted the agency's goal of "ultimately" removing Kadafi from power as a code word for his assassinating the Libyan strongman, Newsweek said.

Although Casey denied the plan included killing Kadafi, one source quoted by the magazine said the committee "just doesn't trust" the embattled CIA director.

An administration spokesman, according to Newsweek, said Reagan has not yet seen the committee's letter of protest because it is going through "the regular clearance process."

United Press International

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ON PAGE A-1

NEW YORK TIMES  
27 JULY 1981

## DIRECTOR OF C.I.A. ASKING A HEARING TO ANSWER CRITICS

### PANEL GIVEN DOCUMENTS

### Casey Promises Cooperation And Speeds His Answers to Committee Queries

By JUDITH MILLER

Special to The New York Times

WASHINGTON, July 26 — William J. Casey, the Director of Central Intelligence, today asked the Senate Select Committee on Intelligence for a hearing "as soon as possible" to allow him to respond to questions raised about his judgment and business practices.

Mr. Casey, in a statement issued by his agency, promised to cooperate "on any matters into which the committee members may wish to inquire."

"Mr. Casey said that he believes it is the best interests of the country that this matter be handled expeditiously," the C.I.A. statement said. It was issued after the agency gave the Intelligence Committee the financial materials and responses to questions sought last week.

A Senate official familiar with the committee staff's inquiry said that aides had been reading the documents since they were delivered at 2 P.M. today. The official, who asked not to be named, said that the staff members had found "no startling new insights or improprieties."

#### Mr. Casey's Answers Speeded Up

Mr. Casey promised on Friday to provide the materials by tomorrow. But he changed his plans when members of the committee said that the committee staff would have a preliminary report ready by tomorrow afternoon.

Agency officials said that Mr. Casey was trying to limit the controversy over his business dealings and his management of the agency. In recent days, several Republican Senators have called for his resignation.

Specifically, Senate committee members have been disturbed by Mr. Casey's appointment of Max C. Hugel, a former Reagan campaign aide, to the position in intelligence work, to the

sensitive post of director of the agency's clandestine services. Mr. Hugel, whom Mr. Casey selected over the objections of many in the intelligence community and on the Senate panel, submitted his resignation two weeks ago after former business associates accused him of taking part in fraudulent securities transactions, which he denied.

In addition, members of the House intelligence panel were distressed by a Central Intelligence Agency plan to start a covert operation in Africa, according to Representative Clement Zablocki, Democrat of Wisconsin. Mr. Zablocki said that several members of the panel had written to President Reagan, urging him to kill the plan, which House aides have said was presented to the panel by Mr. Hugel and approved by Mr. Casey. Newsweek magazine reports in its issue published tomorrow that Libya was the location and Col. Muammar el-Qaddafi the target of the planned operation. Mr. Zablocki denied that this was so.

Through a spokesman, Mr. Casey has denied that he committed any impropriety. He has said that an investigation will show that he is "qualified and ready" to head the agency.

White House officials and Senate committee members have said they feared that a protracted investigation of Mr. Casey, after Mr. Hugel's departure, would harm the Administration's efforts to restore the morale and effectiveness of the agency. Three Republicans, Senators Barry Goldwater of Arizona, Ted Stevens of Alaska and William V. Roth Jr. of Delaware, have said that Mr. Casey should consider resigning.

The documents, a committee spokesman said, respond to four pages of questions sent to Mr. Casey last week by committee investigators. The questions revolve around his role as a director of Multiponics Inc. a failed agribusiness concern, and his appointment of Mr. Hugel, a former Reagan campaign aide, over the objections of many in the intelligence community and on the Senate committee.

Mr. Hugel was facing accusations, which he denied, that he participated in fraudulent securities transactions, and the committee has also been seeking information as to why the agency's Office of Security found no evidence of improper business practices in its investigation of his background.

With respect to Multiponics, a Federal district judge in Manhattan has ruled that Mr. Casey knowingly participated with others in a 1968 investment offering that "omitted and misrepresented facts" to investors.

The Senate official familiar with the staff review of Mr. Casey's responses to committee questions said that the documents seemed to support the director's claim that he had no money in the Multiponics venture. Senator Goldwa-

ter, who is chairman of the intelligence committee, had said at a news conference Thursday that the committee had heard that Mr. Casey earned \$750,000 from the transactions.

A spokesman for the committee said that the panel had been provided with 10 volumes of material, or a stack 20 inches high. In the 20 cartons of documents delivered were copies of all documents for each committee member.

The spokesman said, however, that the documents did not contain Mr. Casey's income tax returns or other information that Senator Daniel Patrick Moynihan, the vice chairman, had said would be sought.

#### A Review at the White House

Meanwhile, White House officials were also reviewing documents on Mr. Casey's financial transactions. Yesterday, David R. Gergen, the senior White House spokesman, said that Fred F. Fielding, the White House counsel, continued to believe that nothing that had come to light on Mr. Casey's financial dealings would cause him to feel that the director had been less than forthcoming with the Intelligence Committee, the White House or anyone else.

Senator Henry M. Jackson, Democrat of Washington and a member of the committee, said today on the NBC News program, "Meet The Press," that he hoped Mr. Casey would have a chance this week to respond "under oath" to questions raised about his conduct.

Mr. Jackson said that Mr. Casey was not being given a fair chance to defend himself.

"It looks to me like they're trying to lynch him in public," he said, in implicit criticism of Mr. Goldwater and other committee members who have urged Mr. Casey to consider stepping down.

"I went through a McCarthy period and I don't want to see a repetition of that kind of thing," Mr. Jackson said.

He said that he was not accusing Mr. Goldwater of McCarthyism, an allusion to the anti-Communist campaign of the late Senator Joseph McCarthy, Republican of Wisconsin, but he declined to name those at fault.

Mr. Casey's request for a prompt hearing to answer the committee's questions was part of a broad counter-offensive he and his supporters have been conducting in order to keep him in office.

Mr. Casey met privately with the Senate majority leader, Howard H. Baker Jr. of Tennessee, on Friday, and with other members of the panel.

Yesterday Stanley Sporkin, general counsel of the Central Intelligence Agency, Senator Paul Laxalt, Republican of Nevada and a confidant of President Reagan, and a former Government official, Leonard Marks, in an unusual press conference at a Washington hotel, praised Mr. Casey.



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ON PAGE 24.

TIME MAGAZINE  
27 July 1981



Resigned Deputy Max Hugel and his boss, Director William J. Casey

## Old Skeletons Rattle the CIA

*A spymaster is jettisoned and a chief threatened*

At first it looked like a fleeting flap, handled swiftly and skillfully by the Administration to limit the damage. Max Hugel, a millionaire merchant with no visible qualifications to hold his post as director of clandestine operations for the CIA, had been publicly accused of illegal stock manipulations by two vengeful Wall Street brokers who had gone bankrupt trying to promote stock in Hugel's former business. Denying any wrongdoing, Hugel nevertheless promptly resigned as the CIA's deputy director of operations and was quickly replaced by a career CIA operative, John Henry Stein. Sighed a White House aide with relief: "The matter is closed."

But by week's end CIA Director William J. Casey, 68, a Reagan political crony who had appointed Hugel against strong opposition within the CIA, and with little if any White House support, was in trouble too. He was the focus of an investigation by the Senate Intelligence Committee, which is dominated by Republicans and headed by Senator Barry Goldwater. The probe also had the backing of Senate Majority Leader Howard Baker. All this was happening despite the insistence by a White House press spokesman that "the President has full confidence in Mr. Casey."

At issue was Casey's judgment in selecting the brash and arrogant Hugel, 56, for such a sensitive job. It entailed deploying CIA agents around the world, recruiting spies behind the Iron Curtain and giving the go-ahead for all covert operations. Also under study was the CIA's apparent failure to do a background check. One main objection was Hugel's business practices when the agency ran its custom-

if a prospective CIA official could in any way be blackmailed—and "blackmail" was precisely what Hugel last week accused his former business associates of having threatened.

Beyond Casey's unfortunate choice of Hugel, whom he asserts he met when both worked in Reagan's presidential primary campaign, the director's own business ethics will be scrutinized by Senate investigators. They came under question in a civil suit filed against him in 1974 by investors who had lost heavily when a New Orleans-based agricultural firm of which Casey was a director went bankrupt. Casey had disclosed the existence of the lawsuit on a routine form sent to the Senate Intelligence Committee after his confirmation hearings last January, but the committee did not question him about it. Last week it was revealed that a New York federal judge had found merit in the suit, ruling that Casey and other directors had knowingly circulated false and misleading information about the business. (Judge Charles E. Stewart Jr. issued his decision last May, but no reporter considered it significant enough to produce a story.)

Casey's bad week began when the Washington Post reported the bitter accusations against Hugel leveled by two brothers, Thomas and Samuel McNell, who also produced 16 damaging tape recordings of their telephone conver-

so the company's managers and prospects so they could promote the stock. They contend that he secretly funneled \$131,000 into Thomas McNell's brokerage firm, disguising the money as a personal loan to Samuel McNell, so that the brokers could trade in the stock. This would give other potential investors the illusion of market interest in the company. They also charged that Hugel had persuaded another business associate to buy 15,000 shares of stock in five separate purchases to manipulate the stock's value.

All the efforts eventually failed. Hugel moved on to a high-paying position in another firm, Centonics Data Computer Corp., of Hudson N.H., and pressed the McNells to repay the loans. In a Dec. 13, 1974, recording, Hugel claimed that the McNells' lawyer "had the nerve to threaten me with some goddam cockamamie lawsuit." Fumed Hugel: "I'll kill that bastard . . . I've revealed nothing to you guys. I did nothing wrong." Hugel repeated his denials of any wrongdoing to Post reporters, although he did not deny that a voice on the recordings was his. He said he was puzzled by some of the conversations and could not recall others. In an unpublished autobiography Hugel boasts: "I have an excellent memory . . . virtually a photographic memory."

The Brooklyn-born Hugel's driving personality, rather than any notable talents, apparently helped him achieve both wealth and his brief eminence in Washington. As a New Hampshire businessman, Hugel's aggressive style impressed William Loeb, ultraconservative publisher of the *Union Leader* in Manchester. Loeb pushed Hugel for a position in Reagan's New Hampshire primary race, and Hugel was named Reagan's Nashua campaign chairman, an obscure spot that he resented. Says former Republican Governor Hugh Gregg: "In terms of the nitty-

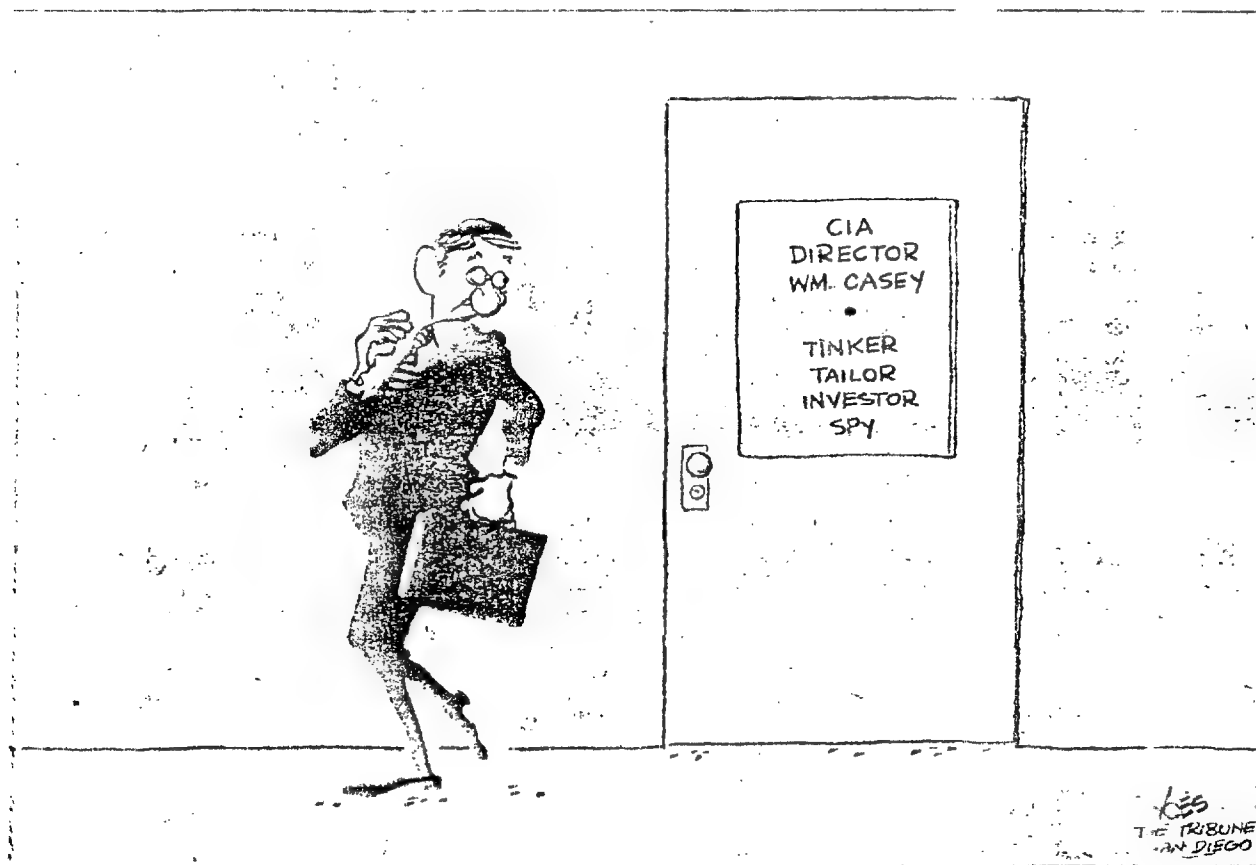
gritty of the campaign, he had nothing to do with Reagan's victory. He's a creation of Mr. Loeb's."

But Hugel won over Casey with his eagerness to get things done and his obvious loyalty. One gusty day, Hugel's toupee flew off as he obligingly chased after his boss's windblown hat. When Casey decided last February to make Hugel his administrative director, the White House raised no objection. Hugel's job did not require Senate confirmation, and thus there were no



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SAN DIEGO TRIBUNE (CA)  
27 July 1981



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THE PHILADELPHIA INQUIRER  
27 July 1981

## Casey requests chance to reply to Senate critics

By Michael J. Sniffen  
Associated Press

WASHINGTON — CIA Director William J. Casey asked the Senate Intelligence Committee yesterday to allow him to appear at a committee hearing as soon as possible to try to dispel the controversy over his tenure.

Casey has been questioned about his past business dealings and his management of the agency, and three key Senate Republicans have called for his resignation.

CIA spokesman Dale Peterson said that a voluminous stack of written materials about Casey was delivered to the Senate committee yesterday afternoon in response to four pages of questions it sent Casey last week.

The questions concern his role as a director of a failed New Orleans farming venture called Multiponics Inc. and his appointment of Max Hugel, a businessman inexperienced in intelligence, to head the CIA's worldwide spy network, Peterson said.

Casey had promised Friday to deliver the material today, but apparently he speeded up his response when the committee staff indicated that it would finish writing a preliminary report on its inquiry into his case today for presentation to a closed committee meeting tomorrow morning. Casey has said his responses will lay the entire controversy to rest.

Peterson said Casey sent a letter yesterday to Sen. Barry Goldwater (R., Ariz.), the committee chairman, "respectfully requesting a committee hearing as soon as possible."

Goldwater had said Thursday night that Casey's appointment of Hugel had harmed the agency enough for Casey to resign or for President Reagan to fire him.

The next morning, another committee Republican, Sen. William V. Roth of Delaware, and the deputy Republican leader in the Senate, Sen. Ted Stevens of Alaska, both called on Casey to resign, saying he no longer could effectively lead the agency.

That same day, however, Casey, with a reaffirmation of support from Reagan, swung into action, visiting Senate offices and seeking an opportunity to rebut the allegations against him.

A number of Democrats on the committee took the position last week that Casey was being railroaded and deserved an opportunity to tell the committee his side of the story.

Yesterday, committee member Henry Jackson (D., Wash.) said he hoped Casey would have a chance this week to respond under oath to the allegations. Jackson said he was against "trying him in the press."

"It looks to me like they're trying to lynch him in public," Jackson said during an appearance on NBC's "Meet the Press." "I went through the McCarthy period, and I don't want to see a repetition of that kind of thing."

He said he was not accusing Goldwater of McCarthyism, but he declined to say whom he was accusing.

"There is an attitude and a tone on the part of a long list of people. I think very clearly they are trying to do Mr. Casey in without [giving him] an opportunity to be heard," Jackson said. "I am at a loss to understand why these issues, so-called, are all coming to the fore all of a sudden. I don't know what's behind it."

Jackson, asked whether Casey should testify in a closed session or one open to the public, replied, "The first thing you do in order to protect the good name of anyone is to have a closed session so you can find out the truth or falsity of these matters, and then go public."

In the letter to Goldwater, Peterson

said, "Mr. Casey said that he believes it is in the best interest of the country that this matter be handled expeditiously and to facilitate that he would be pleased to appear personally before the committee and extend his full cooperation on any matters into which committee members may wish to inquire."

Hugel resigned abruptly almost two weeks ago after two New York stockbrokers accused him of manipulating the stock in one of his companies in 1974. Hugel denied any wrongdoing.

Shortly thereafter, two previously overlooked federal court rulings became publicly known. Both criticized Casey's role in Multiponics. In May, a federal district judge in New York ruled that Casey and other directors of the company had knowingly misled potential investors. A year ago, a federal appellate court in New Orleans ruled that Casey and his co-directors had driven Multiponics "deep and deeper into debt" by managing it in a "pattern of self-interest."

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THE BALTIMORE SUN  
27 July 1981

## Casey sends responses to panel, seeks hearing

By Curt Matthews  
Washington Bureau of The Sun

Washington—William J. Casey, the director of central intelligence, responded to a Senate committee's questions with a stack of written materials yesterday, and asked to appear at a committee hearing as soon as possible.

Mr. Casey stepped up his campaign to keep his job as the controversy over his fitness approached a climax with Senate Democrats apparently willing to let Republicans lead the opposition to him.

A Central Intelligence Agency spokesman said Mr. Casey sent a voluminous stack of written materials to the Senate Select Committee on Intelligence yesterday afternoon in response to four pages of questions the committee sent him last week.

The 68-year-old intelligence chief also asked to be allowed to appear at a committee hearing as soon as possible to dispel the controversy over his tenure.

A report by the staff of the Senate Intelligence Committee is expected to be circulated among members of the committee later today detailing both Mr. Casey's appointment of Max Hugel as the CIA's director of operations and questionable financial deals Mr. Casey was involved in before his appointment as head of the agency.

Mr. Casey promised Friday to deliver the material today, saying his responses would lay the entire controversy to rest. He apparently speeded up his response when the committee staff indicated it would finish writing a preliminary report on its inquiry today for presentation to a closed committee meeting tomorrow morning.

His responses dealt with committee questions regarding Mr. Casey's role as a director of a failed New Orleans farming venture called Multiponics, Inc., and his appointment of Mr. Hugel, the CIA spokesman, Dale Peterson, said.

Mr. Hugel was forced to resign his job abruptly July 14 following the disclosure of questionable stock dealings in the mid-1970s.

Although the controversy over Mr. Casey's appointment of Mr. Hugel to one of the most sensitive jobs in government would appear to be tailor-made for Democratic charges of cronyism in the Reagan administration, such criticism has so far been muted.

Yesterday, Senator Henry M. Jackson (D, Wash.), a ranking member of the Intelligence Committee, said on a television interview program that Mr. Casey may have been treated unfairly by the press, and that there were not enough facts at this point to insist he resign.

"The facts are that we don't have the facts," Mr. Jackson said on the NBC-TV program "Meet the Press."

"I feel very deeply about people being kicked around in the public press," he said.

Senator Jackson said the intelligence panel should take testimony from Mr. Casey under oath as soon as it has reviewed the allegations against him as set forth in the staff report due today. Sources close to the committee say Mr. Casey could appear as a witness as early as tomorrow to give his side on the allegations against him.

Mr. Casey testified at length before members of the Senate Intelligence Committee in February during hearings before his confirmation by the Senate as director of the CIA. It has been suggested by sources associated with the committee that his failure then to fully disclose information about his financial dealings is the prime source of irritation now among Republican members of the committee.

Senator Jackson said that although Mr. Casey made a mistake in appointing Mr. Hugel, he moved promptly to correct it.

Explaining why the Democrats have not taken a more prominent role in the controversy over Mr. Casey, Mr. Jackson said that in his view it would perhaps be counterproductive for the controversy to evolve into a partisan dispute.

"Part of the art of politics is not jumping in when the other side is already doing all right," he said. "The best politics is no partisan politics at this time."

Although Mr. Hugel's resignation appeared at first to satisfy Republicans, including Senator Barry Goldwater (R, Ariz.), chairman of the Intelligence Committee, there was a surprise turnabout Thursday when Mr. Goldwater held an unusual late evening press conference to call for Mr. Casey's "retirement." Mr. Goldwater said he thought Mr. Casey showed bad judgment in bringing Mr. Hugel into the CIA, and that for that reason he should

step down.

There has, however, been speculation that Mr. Goldwater obtained additional information about Mr. Casey's past that convinced him the CIA director could be the source of continuing controversy, and for that reason should resign now.

In addition to Mr. Goldwater, two other Republicans have made unqualified public statements calling for Mr. Casey's resignation. Senator Ted Stevens (R, Alaska), the majority whip, and Senator William V. Roth, Jr. (R, Del.) a member of the Intelligence Committee, Friday urged Mr. Casey to step down. Senator Howard H. Baker, Jr. (R, Tenn.), the majority leader, said he would support whatever conclusion Mr. Goldwater reached regarding Mr. Casey, a position many read as a subtle message to the CIA director that it might be in his own best interest to resign.

Meanwhile, President Reagan and others at the White House have been gradually toning down their support for Mr. Casey. From a position of "full confidence" early last week, the White House has moved to a stance that now defers to the Senate Intelligence Committee.

In another development, some members of the House Intelligence Committee have written to Mr. Reagan to protest a planned CIA covert action in Africa, according to Representative Clement J. Zablocki (D, Wis.), a committee member, the Associated Press reported. Committee officials refused to disclose details of the operation or its location in Africa, although Mr. Zablocki ruled out Libya.

*Newsweek* magazine, however, reported yesterday that the covert operation was designed to overthrow the Libyan leader, Col. Muammar el Kadafi, through a "disinformation" campaign to embarrass him, creation of a counter-government to challenge his leadership, and a paramilitary campaign. The magazine said committee members also mistrusted Mr. Casey's denial of any intent to assassinate the radical Arab leader.

"There was some reservation about the covert action," Mr. Zablocki said. "I think the committee has a right to voice its concern."

A source close to the House Intelligence Committee said there was no indication that Mr. Reagan had decided to call off or alter the covert action because of the committee's criticism, made within the past few weeks.]

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NEW YORK DAILY NEWS  
27 July 1981

# Casey to panel: Let me explain

By JOSEPH VOLZ

Washington (News Bureau)—CIA Director William J. Casey asked the Senate Intelligence Committee yesterday to allow him to appear at a committee hearing as soon as possible to answer charges of questionable business practices in the past.

Casey had a voluminous stack of documents delivered to the Senate committee yesterday, a day faster than

promised, in answer to four pages of questions the committee sent Casey last week.

The committee is meeting today, planning to finish writing a preliminary report on Casey.

Casey acted as a well-orchestrated campaign began on Capitol Hill and in the financial world to drum up support for him.

ON CAPITOL HILL, Sen. Henry Jackson (D-Wash.), a former member of President Reagan's transition team and a member of the intelligence panel, charged yesterday that Casey's critics "are trying to lynch him." He said the critics were using "McCarthyite" tactics in trying to oust Casey on what he called unsubstantiated charges.

But Jackson said he was not including Casey's harshest critic in the Senate—Sen. Barry Goldwater (R-Ariz.), the chairman of the intelligence panel—as a McCarthyite.

President Reagan continues to have "full confidence" in his embattled former campaign chief, according to White House spokesman David Gergen. But Gergen limited Reagan's support to Casey's six-month record as CIA director and did not make any endorsement of Casey's private financial dealings.

CASEY'S FRIENDS hope to shift the focus of interest from his financial affairs in the private sector to Casey's considerable public career dating back to his days with the Office of Strategic Services, the World War II forerunner of the CIA.

Former Treasury Secretaries William Simon and George Shultz will sponsor testimonial luncheons for Casey next week. The first lunch will be held next Monday at the Waldorf-Astoria in New York.

Simon called Casey "a man of great character. I want him to stay in there and I know he will."

Casey is said to believe that the Max Hugel matter is his biggest problem with the Senate Intelligence Committee, and he has moved to blunt that charge.

Hugel, accused of stock manipulations, resigned under fire as CIA covert operations chief when Goldwater questioned Casey's judgment in hiring Hugel.

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ON PAGE A-14

NEW YORK TIMES  
27 JULY 1981

## A Feeble Case Against Casey

To the Editor:

I disagree with the July 17 editorial "Confidence in Intelligence." After reviewing the court's decision in the Multiponics case, I believe that there is no basis for any question as to the integrity of William J. Casey, Director of Central Intelligence.

The Multiponics case is a garden-variety lawsuit frequently brought by investors following the failure of a venture-capital-type investment. There was no trial, and the court's decision was not based on testimony by or about Mr. Casey. Absent a trial and testimony, and assuming the court's decision was correct, the most that properly could be concluded is that Mr. Casey and the other directors of Multiponics were not sufficiently careful in supervising the preparation of an offering circular and on that basis may have civil liability for damages to their co-investors in Multiponics.

There is nothing in the court's decision that warrants any conclusion that Mr. Casey deliberately acted in an inappropriate manner. It is most regrettable that a dedicated public servant, a vital national institution and the Administration are being subjected to criticism without any real basis in fact or law.

MARTIN LIPTON  
New York, July 17, 1981



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URGENT

CIA Director Seeks Appearance Before Senate In  
By MICHAEL J. SAFFEN

Associated Press Writer

WASHINGTON (AP) - Embattled CIA Director William  
Senate Intelligence Committee on Sunday to allow  
committee hearing as soon as possible to try to  
over his tenure.

The 68-year-old intelligence chief stepped up his campaign Sunday to  
hang onto his job in the face of questions about his past business  
dealings, his management of the agency and calls for his resignation  
by three key Senate Republicans.

CIA spokesman Dale Peterson said that a voluminous stack of written  
materials was delivered to the Senate committee Sunday afternoon.

These responses were in answer to four pages of questions the  
committee sent Casey last week regarding his role as a director of a  
failed New Orleans farming venture called Multiponics Inc. and his  
appointment of Max Hugel, a businessman inexperienced in intelligence,  
to head the CIA's worldwide spy network, Peterson said.

Casey had promised last Friday to deliver the material Monday, but  
apparently speeded up his response when the committee staff indicated  
it would finish writing a preliminary report on its inquiry into  
Casey on Monday for presentation to a closed committee meeting Tuesday  
morning. Casey had said on Friday that his responses would lay the  
entire controversy to rest.

Peterson said Casey had sent a letter Sunday to Sen. Barry  
Goldwater, R-Ariz., chairman of the committee, "respectfully  
requesting a committee hearing as soon as possible."

Sen. Henry Jackson, D-Wash., said Sunday he hoped Casey would have a  
chance this week to respond under oath to the allegations. Jackson, a  
member of the Intelligence Committee, said he was against "trying  
him in the press."

Last Thursday night, Goldwater said Casey's appointment of Hugel as  
deputy CIA director for operations had harmed the agency enough for  
Casey to resign or for President Reagan to fire him.

On Friday morning another committee Republican, Sen. William V. Roth  
of Delaware and the deputy Republican leader in the Senate, Sen. Ted  
Stevens of Alaska, had both called on Casey to resign, saying he no  
longer could effectively lead the agency.

But backed by a reaffirmation of support from Reagan, Casey swung  
into action on Friday, visiting a series of Senate offices seeking an  
opportunity to rebut the allegations against him.

On Thursday afternoon, a series of Democrats on the committee  
publicly took the position that Casey was being railroaded and

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DESERVED AN OPPORTUNITY TO TELL THE COMMITTEE HIS SIDE OF THE STORY.

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DESCRIBING CASEY'S LETTER TO GOLDWATER, PETERSON SAID: "MR. CASEY SAID THAT HE BELIEVES IT IS IN THE BEST INTEREST OF THE COUNTRY THAT THIS MATTER BE HANDLED EXPEDITIOUSLY AND TO FACILITATE THAT HE WOULD BE PLEASED TO APPEAR PERSONALLY BEFORE THE COMMITTEE AND EXTEND HIS FULL COOPERATION ON ANY MATTERS INTO WHICH COMMITTEE MEMBERS MAY WISH TO INQUIRE."

JACKSON, APPEARING ON NBC'S "MEET THE PRESS" PROGRAM, SAID OF THE CASEY AFFAIR: "IT LOOKS TO ME LIKE THEY'RE TRYING TO LYNCH HIM IN PUBLIC."

"I WENT THROUGH THE MCCARTHY PERIOD AND I DON'T WANT TO SEE A REPETITION OF THAT KIND OF THING," JACKSON SAID.

HE SAID HE WAS NOT ACCUSING GOLDWATER OF MCCARTHYISM BUT HE DECLINED TO SAY WHO HE WAS ACCUSING.

"THERE IS AN ATTITUDE AND A TONE ON THE PART OF A LONG LIST OF PEOPLE. I THINK; VERY CLEARLY THEY ARE TRYING TO DO MR. CASEY IN WITHOUT AN OPPORTUNITY TO BE HEARD," JACKSON SAID. "I AM AT A LOSS TO UNDERSTAND WHY THESE ISSUES, SO-CALLED, ARE ALL COMING TO THE FORE ALL OF A SUDDEN. I DON'T KNOW WHAT'S BEHIND IT," HE SAID.

JACKSON, ASKED WHETHER CASEY SHOULD TESTIFY BEFORE THE COMMITTEE IN A CLOSED SESSION OR A HEARING OPEN TO THE PUBLIC, REPLIED: "THE FIRST THING YOU DO IN ORDER TO PROTECT THE GOOD NAME OF ANYONE IS TO HAVE A CLOSED SESSION SO YOU CAN FIND OUT THE TRUTH OR FALSITY OF THESE MATTERS, AND THEN GO PUBLIC."

CASEY'S COUNTEROFFENSIVE CONTINUED APACE OVER THE WEEKEND.

ON SATURDAY, CIA GENERAL COUNSEL STANLEY SPORKIN JOINED TWO OF CASEY'S FRIENDS AT A WASHINGTON NEWS CONFERENCE TO DEFEND HIM. FLANKED BY SEN. PAUL LAXALT, R-NEV., REAGAN'S CLOSEST FRIEND IN THE SENATE, AND FORMER FEDERAL OFFICIAL LEONARD MARKS, SPORKIN, WHO FORMERLY WORKED WITH CASEY AT THE SECURITIES AND EXCHANGE COMMISSION, SAID THERE WAS NO FRAUD INVOLVED IN CASEY'S ROLE IN MULTIPONICS.

ON SUNDAY, THE CIA'S PRESS OFFICE ALERTED REPORTERS IN WASHINGTON THAT FORMER NIXON ADMINISTRATION TREASURY SECRETARY WILLIAM SIMON WOULD DEFEND CASEY AT AN APPEARANCE IN SYRACUSE, N.Y.

RUGEL RESIGNED ABRUPTLY ALMOST TWO WEEKS AGO AFTER TWO NEW YORK STOCKBROKERS ACCUSED HIM OF MANIPULATING THE STOCK IN ONE OF HIS FIRMS IN 1974. RUGEL DENIED ANY WRONGDOING.

SHORTLY THEREAFTER, TWO PREVIOUSLY OVERLOOKED FEDERAL COURT RULINGS SURFACED CRITICAL OF CASEY'S ROLE IN MULTIPONICS.

IN MAY, A FEDERAL JUDGE IN NEW YORK RULED THAT CASEY AND OTHER DIRECTORS OF THE FIRM HAD KNOWINGLY MISLED POTENTIAL INVESTORS IN IT. A YEAR AGO, A FEDERAL APPELLATE COURT IN NEW ORLEANS RULED THAT CASEY AND HIS CO-DIRECTORS HAD DRIVEN MULTIPONICS "DEEP AND DEEPER INTO DEBT" BY MANAGING IT IN A "PATTERN OF SELF-INTEREST."

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ON SUNDAY . . . SYRACUSE, N.Y.

A SHORT TIME LATER; SIMON MET WITH REPORTERS TO BLAST AS  
"HYPOCRITES ALONG THE POTOMAC" THOSE MEMBERS OF CONGRESS WHO SAID  
NOTHING WHEN THE FIRST ALLEGATIONS CONCERNING CASEY'S FINANCIAL  
AFFAIRS WERE AIRD YEARS AGO AND WHO NOW ARE CALLING FOR HIS OUSTER.

"AREN'T THEY GUTLESS WONDERS?" ASKED SIMON; ADDING: "WHEN ARE WE  
GOING TO LEARN IN THIS GREAT COUNTRY OF OURS THAT IT TAKES GOOD  
PEOPLE TO RUN THIS GOVERNMENT? WE'RE GOING TO END UP WITH NOTHING IN  
WASHINGTON BUT ACADEMICS AND NEUTERS."

WUGEL RESIGNED; 3RD GRAF FROM END

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WASHINGTON STAR  
26 July 1981

# Casey Supporters Trying to Counter Pressure for Ouster

## Reagan Cautiously Restates Confidence

By Henry S. Bradsher  
Washington Star Staff Writer

President Reagan declared through a spokesman yesterday that the naming by CIA Director William J. Casey of a controversial spymaster was not sufficient reason to fire Casey, but Reagan left open the possibility that new revelations on Casey's business affairs could affect his support.

The spokesman, David R. Gergen, gave Reagan's views after White House officials had been irritated by media interpretations of waning support for the embattled intelligence boss. At the same time, friends of Casey mounted an effort to counter bad publicity for his business dealings.

The CIA's general counsel, Stanley Sporkin, who has been working with the Senate Select Committee on Intelligence on Casey's affairs, told a news conference that "I have not really seen a substantial charge made yet." The former enforcement director of the Securities and Exchange Commission added, "I know a securities fraud when I see it and I do not see it in this case."

Gergen made a similar statement. He said presidential counsel Fred F. Fielding has seen every document about Casey that had been sent to Capitol Hill, and he has seen no indication that major new revelations of business problems will occur.

Against this background of apparent confidence that there were not any buried scandals, the White House sought to shift the emphasis in the Casey case to the business background while playing down the other disputed aspects of the case.

That was Casey's appointment of political aide Max C. Hugel as the CIA's chief of operations, in charge of the agency's most sensitive clandestine activities, without full normal security checks and against the opposition of many in the intelligence

community, who considered him unqualified. Hugel resigned 12 days ago after he was accused of stock manipulation.

That accusation stimulated new attention on Casey's own business background. It included several court judgments against him, one of which said he had misrepresented facts to investors.

A new accusation surfaced yesterday. The New York Times reported that Casey had failed to disclose in Senate confirmation proceedings his stock holdings in one corporation and a gift in another business venture worth \$10,000.

Gergen characterized the new report as "not a matter of great concern." He called the reporting failure "errors of minor omission."

Despite this defense, the situation on Capitol Hill remained uncertain. Reagan has indicated that the Senate committee's attitude will be taken into account, and on the committee dissatisfaction with Casey continued to be high.

This dissatisfaction has been growing for several months, reportedly fueled by comments made to committee members and staffers by present and former members of the intelligence community. Even before Hugel got the spymaster's job, there was unhappiness in the community that the top job went to a political outsider like Casey rather than an insider like his deputy, Adm. Bobby R. Inman.

Pressure for Casey to resign reached a high point Friday following a statement by the Senate intelligence committee's chairman, Barry Goldwater, R-Ariz. He focused on the Hugel appointment, saying it was sufficient reason for Casey "to decide to retire, or the president to have him retire."

At least four other senators followed on Friday with calls for Casey's resignation, and they were joined yesterday by Dennis DiConcini, D-Ariz, a member of the Senate committee. As the pressure built Friday, Reagan responded to reporters' questions by expressing confidence in his 1980 presidential campaign director, but he left open the possibility that Casey might eventually have to go.

In yesterday's effort by Gergen to bolster Casey's position, the Hugel case was dismissed as insufficient for resignation.

"The president believes that Bill Casey is a good and decent man who has served the country well for a good many years," Gergen said. "He also believes that Mr. Casey is doing a fine job at the CIA. In light of that background, the president is standing firmly behind Mr. Casey."

"If the intelligence committee concludes that the only substantial charge against Mr. Casey involves his judgment in the appointment of Mr. Hugel," Gergen said, "the president believes that Bill Casey definitely ought to remain on the job."

Under questioning, Gergen added, "If there are some large revelations of misdeeds or wrongdoings — and we trust that there will not be — then we would have to address that at that time." But Fielding had seen nothing indicating new revelations, he said.

Casey has promised to provide extensive records and answers to questions to investigators for the Senate committee tomorrow. The committee will meet in closed session on Tuesday to consider a preliminary report from its investigators, and Casey is expected to testify then.

Sen. Daniel Patrick Moynihan, D-N.Y., told The New York Times yesterday that he had asked the investigators to look into that paper's report of stock disclosure failures. Casey was quoted as confirming he owned the stock in question, but having no comment on why it was not reported, and as saying he thought he had paid for what the Times said was a gift.

Moynihan said he had been told that at least 10 FBI agents were working with the Senate committee's investigators. Goldwater had also asked the Republican counsel to the Senate Watergate Committee in 1973, lawyer Fred Thompson of Nashville, Tenn., to assist the committee, but Thompson had not yet decided whether to do so.

Three friends of Casey's held a news conference yesterday at a downtown hotel to defend him. Leonard Marks, a local lawyer who headed the United States Information Agency in the Johnson administration, said he arranged it so that he, Sporkin and Sen. Paul Laxalt, R-Nev., could speak.

Marks said that a "one-dimensional picture" was being given the public that was "inaccurate and unfair" because it distorted Casey's business life. Marks praised Casey's public service, especially his help for refugees as head of the International Rescue Committee.

CONTINUED

Sporkin worked for Casey when Casey was head of the SEC in the Nixon administration. He called the 68-year-old CIA director "an extremely extraordinary person... a brilliant person" who had no personal ambition. "It is horrendous that anyone should take up old facts to see if he is qualified for this job," Sporkin said.

A CIA spokesman said "the agency" had given permission for Sporkin to appear at the private news conference. Sporkin defended his role in Casey's personal affairs while serving as CIA counsel by saying the Senate committee had asked him for information.

Laxalt, who had issued a statement Friday saying Casey should be presumed innocent until proven guilty, told the news conference, "I believe that, were it not for Bill Casey, Ronald Reagan would not now be president of the United States." The senator, a close personal friend of Reagan's, gave Casey credit for successful organization of last year's presidential campaign.

Describing the news conference, Laxalt said they were "three people who are not going to permit a decent man to be savaged... We felt it was time to speak before momentum built up."

Star Staff Writer Jeremiah O'Leary contributed to this story.



# CIA chief— The ax nears

BY JOSEPH VOLZ

Washington (News Bureau)—William J. Casey, the embattled director of the Central Intelligence Agency, may be forced out of office in the next two or three days, despite his last-ditch effort to persuade President Reagan that he can still function effectively as the nation's top spymaster.

At a White House briefing yesterday, David Gergen, a spokesman for the President, said Reagan believes that Casey "definitely ought to remain on the job" if his only fault was poor judgment in picking the chief of the agency's clandestine services. However, Gergen was quick to add that if there were other charges against Casey—including questions about his tangled financial dealings—then the President would have to review the matter.

The statement was in marked contrast to earlier Reagan statements, in which he pledged unqualified support for Casey. The indications were clear that although Reagan still publicly expressed support for Casey, privately he has decided that Casey's fate is up to the Senate Intelligence Committee, which will hold hearings tomorrow.

White House chief of staff James Baker, in talks with Sen. Barry Goldwater (R-Ariz.), the committee chairman, and others, has been given the clear impression that a majority of panel members wants Casey out. Casey's tangled business relations, his frequent court suits and his withholding of key financial information from the intelligence panel when he was confirmed as CIA director last January have made him more of a liability than an asset, Baker has been told.

An informal Daily News survey indicated that if a vote were held today on Casey, the intelligence panel would vote for ouster. But only the President has the power to get rid of Casey, and he apparently has decided to wait at least until tomorrow, when intelligence panel staffers present their investigative report on Casey to Goldwater and Sen. Daniel Patrick Moynihan (D-N.Y.), the committee's vice chairman.

**GOLDWATER, HOWEVER** knows the contents of the report and already has called publicly for Casey's departure. Goldwater's opposition to Casey stemmed from the CIA's chief's selection of Max Hugel, a businessman with little experience in the intelligence field, for the highly sensitive job of chief of the agency's clandestine services. Hugel has resigned in the wake of charges about his own business dealings.



AP

William Casey—CIA chief under fire.

Goldwater refused twice Friday to see Casey, and Reagan also was not available to Casey, either in person or on the phone. The White House press office also declined Casey's request to distribute a statement he had written contending he had not misled the intelligence panel, as Goldwater charged.

The key issue in Goldwater's mind appears to be whether or not Casey misled the senate panel investigating his CIA nomination by saying he lost \$150,000 in a defunct New Orleans firm, Multiponics Inc. Goldwater contends that Casey actually earned \$750,000 and failed to tell the panel of the case last January.

And reliable sources said that Goldwater believes that Casey's dealings over the last decade show a broad pattern of misleading would-be investors and changing his testimony when challenged in a series of civil suits.

Goldwater reportedly told Casey on Friday that if the two had been business partners, they no longer would be now. Casey, furious at Goldwater's call for his resignation, called the senator at home at 2:30 a.m. Friday to complain.

CONTINUED



A DAILY NEWS examination of more than 800 pages of congressional and court records of Casey's financial dealings before he joined the CIA also portrays him as a businessman frequently accused of withholding key information from investors in companies that then went bankrupt. Among the allegations are:

- Casey, as chairman of the board of Advancement Devices, a small communications firm, was sued in New York Federal Court by a disgruntled investor, Roland Boggs, who contended that he had been misled about the firm's potential. The firm went into receivership, and Casey—after first denying that he controlled the firm—conceded in legal papers that he was chairman of the board. Casey put up \$100,000 and hoped to get back \$80,000 immediately in the stock offering.

The man Casey chose to arrange the private stock offering also raised eyebrows. He was Charles J.

Thornton, an employee of L.H. Rothschild and Co. who had been expelled from the securities business in 1948 by the Securities and Exchange Commission for manipulating stock prices on the Chicago exchange.

- Casey failed to notify the Richard Nixon administration about the matter when he was nominated as SEC chairman in 1971.

- Casey also was involved in a bitter plagiarism suit, which he settled out of court. The details of the suit were not as significant as the fact that a federal judge later testified that Casey had misrepresented the judge's position in testimony.

In testimony before the Senate Banking Committee, Casey insisted that the judge who heard the case said that a jury verdict against Casey "was not supported by the evidence." But the judge, J. Braxton Craven, said: "I do not recall telling anyone that the verdict was not supported by the evidence." Casey later conceded that his comment was "perhaps more explicit than it should have been."

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Star Staff Writer Jeremiah O'Leary contributed to this story.

CIA STATEMENT RELEASED  
26 JULY 1981

At 2 p.m. today, William J. Casey, Director of Central Intelligence, complied with the request of the Senate Select Committee on Intelligence and delivered all materials requested by the Committee.

A letter has gone to Committee Chairman Senator Barry Goldwater respectfully requesting a Committee hearing as soon as possible.

Mr. Casey said that he believes it is in the best interest of the country that this matter be handled expeditiously and to facilitate that he would be pleased to appear personally before the Committee and extend his full cooperation on any matters into which Committee Members may wish to inquire.

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ON PAGE C-3

THE WASHINGTON STAR  
26 July 1981

SCHORR

GOOD MORNING,  
MR. CASEY...

THE FOLLOWING IS  
A RECORD OF YOUR  
BUSINESS DEALS....

SHOULD IT FALL  
INTO THE HANDS  
OF CONGRESS....

YOU WILL  
SELF-DESTRUCT....

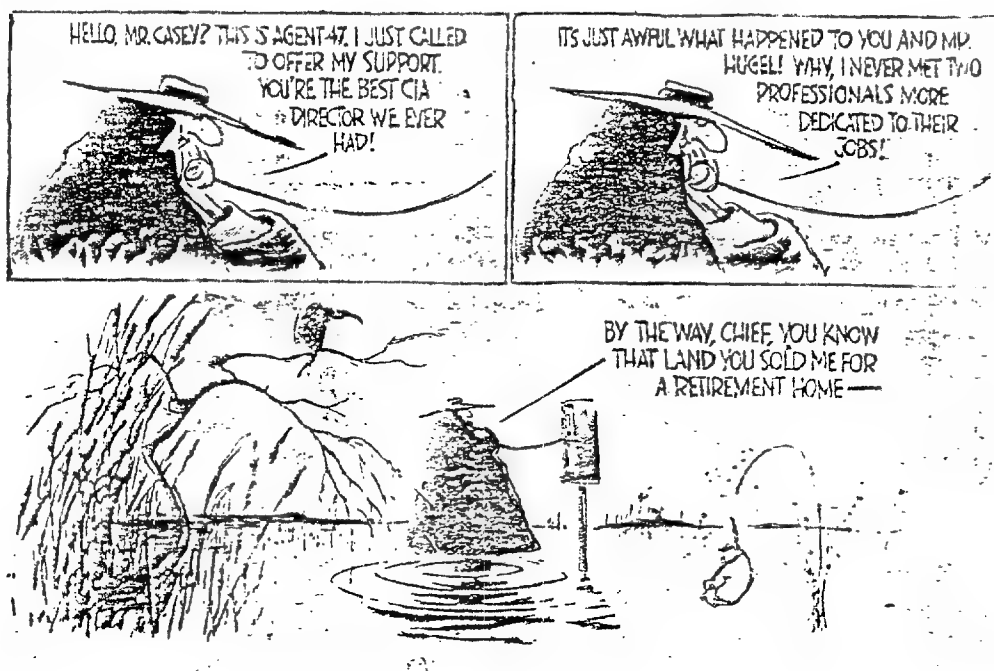
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NEW YORK TIMES  
26 JULY 1981

# Views

A portfolio from around the nation





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WASHINGTON POST  
26 July 1981

## *The Casey Affair*

**M**AYBE WE came in somewhere in the middle of this movie, but we don't seem to know exactly how or why the whole thing began or exactly what accounts for the accelerated drama and suspense, the crescendo of excitement as a transfixed capital clearly awaits the critical moment when William Casey is thrown out. He should be, he shouldn't, he will be, he won't, the White House has had it, the White House is hanging tough. . . . Do you feel as though you know what is going on? Are you comfortable that a fair and useful proceeding is taking place whereby Mr. Casey's suitability to continue as head of the CIA is being weighed by some at least dimly defensible criteria? We don't and aren't.

Let us quickly list the things we are not saying here: We are neither defending nor assailing the embattled Mr. Casey himself nor even taking a position on whether he should stay or go—we don't begin to have the information to know. We do not have especially in mind, when we talk of sloppy proceedings, the Senate Select Committee on Intelligence—this whole drama has a vibrant political and media life outside that committee, not just inside it. We are not even hinting that some personal, political or bureaucratic "sinister force" is at work—although it does seem pretty plain that someone around here doesn't like Mr. Casey. No, what we are saying is merely this: At least as of the moment, given the amount of public information available and the explanations of their actions offered (or not offered) by some of Mr. Casey's antagonists, the

Casey affair itself is its own separate source of disturbance, no matter how disturbing various of Mr. Casey's own contested actions may also be.

These are the questions concerning that odd affair that we think worth seeking answers to, whether he ultimately goes or stays. What has been the new or different evidence of bad judgment on Mr. Casey's part, alluded to by some of his latest critics, that goes beyond the questionable financial dealings written about in the press and the appointment of Mr. Hugel? What prompted the sudden and belated concern with Mr. Casey's shortcomings, especially with those actions that had not, when they were first taken or revealed, seemed especially to trouble some of the people now calling for his head? What changed their minds? What are the criteria by which a man's fitness to lead the CIA are measured? We are somewhat bemused, we must confess, by the new-found moral fastidiousness of the court now rendering judgment on Mr. Casey's fitness. It is no endorsement of misconduct either in congressional testimony or in financial dealings to observe that some of the suddenly expressed shock on the Hill is coming from people who seemed singularly untroubled over the years by elements of misjudgment and moral wretchedness at the CIA that make the stuff revealed about Mr. Casey so far seem minor.

So, unless we are dealing with some kind of political hatchet job or vendetta, there must be more. What is it?

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NEW YORK TIMES  
26 JULY 1981

## SENATE COMMITTEE STEPS UP INQUIRY ON CASEY FINANCES

Moynihan Says Panel Will Try  
to Obtain Tax Records of  
the C.I.A. Director

By JUDITH MILLER

Special to The New York Times

WASHINGTON, July 25 — The Senate Select Committee on Intelligence stepped up its inquiry today into the business dealings of William J. Casey, Director of Central Intelligence.

Senator Daniel Patrick Moynihan, Democrat of New York, the vice chairman of the intelligence panel, said in an interview that the committee would ask Mr. Casey to provide information about how much Federal income tax he had paid and, if legally possible, would seek to obtain copies of his tax returns.

### Casey Matter Under Discussion

Discussions of the Casey matter went on today in various parts of the capital.

At a downtown hotel, an unusual news conference was organized by a private public relations concern to give the C.I.A.'s general counsel, Stanley Sporkin, and others an opportunity to praise Mr. Casey.

At the White House, officials said that Republicans on the intelligence committee seemed to have such strong "personal" objections to Mr. Casey that he might have to resign. [Page 14].

Mr. Moynihan said he had instructed committee investigators to explore a report in The New York Times today that Mr. Casey had failed to disclose stock holdings and the receipt of a gift of a \$10,000 interest in another business venture.

He also asked the panel to review what Federal prosecutors called contradictory testimony by Mr. Casey in connection with the Government's unsuccessful prosecution of top Nixon Admin-

istration officials on charges of trying to aid Robert L. Vesco, the fugitive financier.

Mr. Casey, responding through a spokesman, has denied any impropriety and has insisted that the facts will show that he is "qualified and ready" to head the Central Intelligence Agency.

Mr. Moynihan, who was reached by telephone at a crafts fair in upstate New York, reiterated his view that Mr. Casey must be given an opportunity to respond to questions about his business conduct in the proper forum and be afforded a "semblance of due process." At the same time, he added, the committee had no choice but to proceed with a "through investigation."

"That is the dismal prospect," he said, "and while the agency does not need this, it has to be done."

While he said that the committee staff would present the conclusions of its current review to the panel in a closed session on Tuesday, Mr. Moynihan said that the staff report would be only a "first effort."

"Obviously, what we'll have is a first report," he said. "What worries me is that it may go on and on and the investigation may balloon."

Mr. Moynihan's statements today discouraged White House officials who had expressed hope that the report by the intelligence panel would answer all the questions raised about Mr. Casey.

White House officials and Senate committee members have said that they were concerned that a protracted investigation of Mr. Casey, in the wake of the resignation of Max C. Hugel, former chief of clandestine services, would deprive the agency of the stability and confidence President Reagan has vowed to restore. Mr. Hugel, selected by Mr. Casey for the sensitive post over the objection of many members of the intelligence panel, was forced to quit two weeks ago because of a financial scandal.

Senator Richard G. Lugar, Republican of Indiana, a member of the intelligence committee, also expressed concern today about the effect of the controversy on the C.I.A. He said in an interview on Cable Network News that he would not make a decision about Mr. Casey before the committee had completed its report. He added, however, that there was "unanimous feeling" on

the panel that if Mr. Casey voluntarily stepped down, Adm. Bobby R. Inman, deputy director of the intelligence agency, should succeed him.

Mr. Moynihan said that he and Senator Barry Goldwater, the Arizona Republican who is chairman of the committee, would meet with the staff aides Monday morning to review their conclusions. He said the committee would probably decide at its meeting on Tuesday to ask Mr. Casey to appear before the panel later that week.

He said the committee staff had been "deluged with calls and tips about Mr. Casey from all over the country."

Meanwhile, Mr. Sporkin, the C.I.A. general counsel; Senator Paul Laxalt, Republican of Nevada, and Leonard Marks, a longtime acquaintance of Mr. Casey's, held a news conference here this afternoon to praise and defend the C.I.A. Director. It was a highly unusual news conference because it was organized by a private public relations concern to defend a public official.

Mr. Sporkin, who was enforcement director of the Securities and Exchange Commission when Mr. Casey was its chairman, said, "It would be a tragedy for this country to lose this man's talents."

With regard to allegations that Mr. Casey had been involved in fraudulent stock transactions, Mr. Sporkin said, "I know a securities fraud when I see it, and I do not see it in his case."

He said that it was "horrendous" for journalists and Congressional investigators to pursue "old facts" relating to Mr. Casey's financial activities in 1968 and 1969.

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ON PAGE E-1

NEW YORK TIMES  
26 JULY 1981

## The Spy Who Ran Into the Heat

William J. Casey was trying to ride out a political storm last week but the barometer was dropping fast. "This will either die out or Casey will go," said a White House aide, "and I imagine that we will wait through the weekend before something happens."

The remark may have been premature. Yesterday, White House officials were saying that while allegations of past malpractice in business didn't warrant the removal of the Director of Central Intelligence, they now knew that Republicans on the Senate Intelligence Committee had "personal objections" to Mr. Casey's fitness. What that meant in practice was increasing distance between Mr. Casey and President Reagan (who earlier in the week said, "I have not changed my mind about Bill Casey") and increasing activity in the White House counsel's office, as aides began reviewing Mr. Casey's records, including original investigative data, not just the summaries, from Federal Bureau of Investigation files.

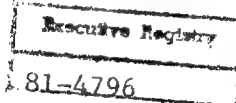
Mr. Casey said that before this week is out he will have put to rest any doubts about his recent judgment at the Central Intelligence Agency and, years earlier, in the business world. While some Congressmen urged that Mr. Casey be given a chance to testify, other influential Republicans and Democrats saw no need to wait.

Barry Goldwater, chairman of the Senate Intelligence Committee, said Mr. Casey, formerly Mr. Reagan's campaign director, should consider stepping down because of poor judgment in making Max C. Hugel, another campaign figure and not a professional spymaster, his chief of covert operations. Mr. Hugel was undone this month after former business associates charged that he had engaged in shady dealings in the mid-1970's.

Added to the Hugel affair were disclosures that some of Mr. Casey's own business practices had been deemed questionable by Federal courts and a report in The New York Times that Mr. Casey had failed to tell the Senate earlier this year about his stock holdings in one corporation and a gift of a \$10,000 interest in another business venture. According to the intelligence panel vice chairman, Senator Daniel Patrick Moynihan, there are more places to look. He has asked for a review of what Federal prosecutors called contradictory testimony by Mr. Casey on a matter that has preoccupied several Administrations: the activities of Robert L. Vesco.



Washington, D.C. 20505



26 July 1981

Honorable Barry Goldwater, Chairman  
Select Committee on Intelligence  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

All materials having been delivered to the Senate Select Committee in conformity with your request, I would respectfully urge that you schedule a full Committee hearing on this matter as soon as possible. I will be pleased to appear personally at any time and pledge my full cooperation in responding to any matters raised by Committee Members. I believe it to be in the best interest of the country and the Central Intelligence Agency that any necessary hearing be held without prolonged delay.

Sincerely,

*William J. Casey*  
William J. Casey

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BOSTON GLOBE  
26 July 1981

# Reagan backs Casey for now

By Barry Schweid  
Associated Press

WASHINGTON — President Ronald Reagan believes CIA director William J. Casey "definitely ought to remain on the job" if his only fault was poor judgment in picking the chief of the agency's clandestine service, a White House spokesman said yesterday.

However, said presidential spokesman David Gergen, if there are other findings against the embattled CIA director — such as new evidence of wrongdoing in his past financial dealings — the President would have to review the matter.

Reagan's position, relayed by Gergen, puts the President firmly at odds with Sen. Barry Goldwater (R-Ariz.), chairman of the Senate Intelligence Committee.

Goldwater publicly criticized Casey and called for his resignation last week for selecting Max Hugel, a New Hampshire businessman with little experience in the intelligence field, for the highly sensitive job as head of covert operations at the CIA. Hugel has already resigned in the wake of charges about his business dealings.

Casey's business background is being reviewed by the Intelligence Committee in the wake of a judge's finding that he and other directors of Multiponics, Inc., a now-defunct farming venture in New Orleans, knowingly misled stockholders.

After conferring with Reagan, Gergen told reporters, "If the Intelligence Committee concludes that the only substantial charge against Mr. Casey involves his judgment in the appointment of Mr. Hugel, the President believes that Bill Casey definitely ought to remain on the job."

Asked why Reagan's sanction did not extend to Casey's business dealings, Gergen replied, "We're not trying to make that kind of broad generalization."

"If there are no major new revelations — which we expect there's not going to be — but if by chance there is — we have no reason to believe there is going to be — that's something we'll have to address at that time," Gergen said.

He said that presidential counsel Fred Fielding, who is reviewing the information being supplied to the Senate committee for its investigation, has found no evidence to change his opinion that Casey was fit for the job.

"The President believes Bill Casey is a good and decent man who has served the country well for a good many years," Gergen said. "He also believes Mr. Casey is doing a fine job at the CIA. In light of that background, the President is standing firmly behind Mr. Casey."

Meanwhile yesterday, Sen. Richard Lugar (R-Ind.), a member of the Intelligence Committee, said the panel will make "a fairly quick evaluation" of Casey's financial affairs.

"I think we are moving toward a resolution," Lugar said on the Cable News Network.

Casey is due to go before the committee tomorrow to rebut the charges of questionable financial practices. Lugar said the recommendation from the committee would probably be made by Tuesday.

Meanwhile, it was reported that in a personal financial statement presented to the Intelligence Committee when he was confirmed, Casey failed to disclose a gift of a \$10,000 interest in a business venture.

The New York Times, in yesterday's editions, said Casey claimed in his statement that he had not received any gifts worth more than \$500 in the past five years.

But, the newspaper said, Carl G. Paffendorf, a long-time Casey business associate, said that in November or December of 1976, he gave Casey a \$10,000 interest in Penverter Partners, a partnership involved in computer technology.

Paffendorf said Casey gave him a nominal sum of \$100, but Paffendorf characterized Casey's interest as a gift. The Times said Casey said he believed he had paid "some nominal consideration" for the stock and so considered it to be a purchase and not a gift.

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Approved For Release 2005/11/28 : CIA-RDP91-00901R000400160001-9

26 JULY 1981

# Pressure is on CIA director to resign over stock deal issue

By Jon Margolis  
and John Maclean

Chicago Tribune Press Service

WASHINGTON—William Casey's future as director of the CIA likely will be decided early this week as the Senate Intelligence Committee prepares to get a staff report on its investigation Monday and to hear Casey's response Tuesday.

The committee and Casey both face a politically tense atmosphere in which Republican Senate leaders want the intelligence chief to quit before doing any serious political damage to his party and the Reagan administration.

"One by one they simply came to a conclusion that they were fairly fed up with this kind of business and would like to cut their losses," said one Republican source in the Senate.

The Republican calls for Casey's resignation Friday coupled with White House uneasiness, led to speculation that investigators had found serious new evidence regarding the past business activities of the 68-year-old former Wall Street lawyer.

That speculation increased when one of the critical Republicans, Sen. Ted Stevens of Alaska, said "additional matters" had come to light, and after Sen. Daniel Patrick Moynihan (D., N.Y.) said the allegations would be "calamitous" if they were confirmed.

**BUT OTHER SOURCES** said no firm information had

been discovered to add to the charges that Casey had misled investors 10 years ago when he was a director of a firm known as Multiponics, Inc.

Some of these sources said the Intelligence Committee's staff was neither large enough nor expert enough to have uncovered any definitive information in the short time it has been working on the case.

The probe of Casey's activities followed the resignation of Max Hugel, Casey's choice as the CIA's chief of clandestine operations. Hugel, a New Hampshire businessman, had been charged with illegal stock manipulations by two men with whom he had once been in business.

According to Senate sources, one focus of the investigation is the thoroughness of the CIA's internal investigation of Hugel after Casey chose him for the job. Approval of his appointment came after a short probe which missed his allegedly illegal activities.

**AS TO CASEY'S** own financial dealings, the sources said that though Casey had cleared previous investigations for his earlier government jobs, investigators were concerned about possible "patterns of activity" which would be inappropriate for a CIA director.

President Reagan has supported Casey, who was his campaign director last year. But by Friday the White House was clearly putting distance between Casey and the President, as senior spokesman David Gergen said: "We believe the process should go forward. We're in a situation where we have to wait and see."



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PHILADELPHIA BULLETIN (PA)  
26 July 1981

# Admiral ready to bat if Casey strikes out

By SANDY GRADY  
Of The Bulletin Staff

WASHINGTON — Admiral Bobby Ray Inman is the No. 1 choice to replace William J. Casey as director of the Central Intelligence Agency if Casey succumbs to mounting pressure for his resignation.

Sources close to the Senate Intelligence Committee said Inman, 49, is the heavily favorite for several reasons:

— Inman is respected in the Washington intelligence community and popular with key senators, especially Sen. Barry Goldwater (R-Ariz).

— As Casey's No. 2 man, Inman is "in place" and available.

— Because he is known as an intel-

ligence professional and a shrewd bureaucratic infighter, Inman could restore confidence at a CIA shaken by the Casey controversies.

"Inman is seen as a pro who would save the agency from the amateurs," said a Senate intelligence source. "Goldwater has wanted Inman in the job all along because he has no confidence in Casey."

A Texan who spent 28 years in the Navy, Inman is considered an expert on spy satellites and other espionage technology. Before Casey persuaded him to become his deputy at the CIA, Inman operated the National Security Agency, a highly secretive outfit that is the code-breaking elite of the Pentagon.

While Inman waited in the wings, Casey was being bombarded by demands from key Republicans — including Goldwater — that Casey step down.

Goldwater broke open a dam of criticism when he sharply attacked Casey for hiring an unqualified man, Max Hugel, to head the CIA's clandestine activities. Hugel abruptly resigned amid disclosures of stock market manipulations.

Calling the Hugel appointment "a very bad mistake and dangerous," Goldwater said Casey should retire from the CIA or "the President should have him removed."

Because he is regaining his old clout as the Senate's top conservative and heads the Senate Intelligence Committee, Goldwater's fusillade was considered near fatal to Casey's chances. Sen. Ted Stevens (R-Alaska), the GOP's No. 2 Senate leader, and Sen. William Roth (R-Del.), a member of the Intelligence Committee, joined Goldwater in demanding Casey's scalp.

President Reagan intimated publicly that he would fight to retain the 68-year-old Casey, a New York millionaire who had rebuilt Reagan's sagging campaign starting last March. Reagan told reporters he "had not changed his mind" and "still has confidence" in Casey to run the CIA.

But the White House had its top lawyer, Fred Fielding, going over Casey's business dealings that have troubled Goldwater and other senators. A White House source said the results of the Senate Intelligence Committee's Tuesday meeting would decide whether "we have to pull the plug on Casey."

Casey has been politicking hard to keep his job. He has pushed his case with Reagan's senior aides. He has lobbied top senators and carried on a stormy telephone conversation with Goldwater, claiming Goldwater was provided "inaccurate information."

Democrats, sensing that this was a Republican family feud, have been cautious. Sen. Joseph Biden (D-Del.), a member of the Intelligence Committee, said he was convinced "there's no way Casey can remain in the job," but he'll wait to see the evidence before formally asking for a resignation. Sen. Henry Jackson (D-Wash.), after a 30-minute meeting with Casey, said he was "being tried in the press."

It will be ironic if Inman becomes the new CIA chief — Casey had to promise Inman a fourth admiral's star and arrange for a personal plea from Reagan before Inman would accept the CIA's No. 2 job.

Inman, who has been running the

daily operations of the CIA, is well known on Capitol Hill, where he has been a strong advocate for beefing up the CIA's talent pool of experienced agents and analysts. Inman has asked Congress for hundreds of millions of dollars to shore up the CIA's technical spying and covert activities.

Reagan probably will decide Casey's fate next week.



Bobby Inman

LOS ANGELES TIMES (CA)  
26 July 1981

# White House Signals Weaker Casey Support

By ROBERT L. JACKSON,  
Times Staff Writer

WASHINGTON—The White House signaled a weakening Saturday in its support for William J. Casey as the embattled CIA director struggled to stay in office.

White House spokesman David E. Gergen, while declaring that President Reagan is still "standing firmly behind Mr. Casey," backed away from an unqualified endorsement of the 68-year-old former Reagan campaign director.

Asked whether Casey should resign, Gergen told reporters, "If there is some large revelation of misdeeds or wrongdoing—and we trust there will not be—we would have to address that at that time."

He said Reagan believes that Casey can convince members of the Senate Intelligence Committee this week that his past business dealings involved no misconduct.

Casey has been under fire since Max Hugel, a businessman friend of his, resigned 12 days ago as the CIA's chief of clandestine services after allegations were published that Hugel had sought to manipulate the stock of an electronics company he owned in 1974.

Subsequently, federal court rul-

weighed. We are pleased with the reaction."

However, a senior White House aide, who asked not to be identified, said he is "surprised at how quickly Casey's support on Capitol Hill has eroded." He said "it's going to be difficult" for Casey to survive, and added, "At this point, it's a matter of waiting and seeing."

Sen. Paul Laxalt (R-Nev.) a close friend of Reagan's, told reporters, meanwhile, that Casey has been subjected to "unsupported allegations" of past improper business dealings.

"I would hope that my colleagues (in the Senate) and the media will give this man a fair shake," Laxalt said.

Referring to remarks Friday by Assistant Senate Majority Leader Ted Stevens (R-Alaska) and Sen. William V. Roth (R-Del.) that Casey should resign for the good of both the agency and the country, Laxalt told a news conference:

"I disagree that as a result of the controversy Casey

has lost his effectiveness. The morale of that agency, by any objective standard, is far better than the day he took over."

In another development The Times learned that a merchandising firm for which Casey served as a director was sued for civil fraud by the Securities and Exchange Commission in 1977 only a few weeks after Casey resigned from the company's board.

The Intelligence Committee did not know about the

Times researchers Gloria Doyle in Washington and Laurie Upson Mamo in Chicago contributed to this story.

case involving Gamble-Skogmo Inc. of Minneapolis, at the time of Casey's confirmation hearings last January. Casey himself did not disclose it in either his public or his confidential financial disclosure reports.

The committee had asked Casey to list any lawsuits involving himself or his business interests in the last five years. In his written reply last January, Casey listed only three lawsuits. They did not include one of the Multiponics decisions or any reference to the commission's action against Gamble-Skogmo.

In response to a Times inquiry, Casey said through the CIA's general counsel, Stanley Sporkin, that he had not been named as a defendant in the commission's action, and thus was not required to tell the committee about it.

Gamble-Skogmo entered into a court-approved consent decree Sept. 15, 1977, according to federal court records in Chicago. The firm did not challenge the commission's complaint alleging that company officers had been involved in a \$300,000 kickback scheme overseas and had submitted fraudulent documents to the U.S. Customs Service.

ings surfaced in New York and New Orleans in which judges criticized Casey's own conduct as a past director of Multiponics Inc., a now-defunct agricultural company. Casey and other directors, according to the rulings, engaged in a pattern of "self-interest" in running Multiponics and concealed information from stockholders.

In the last three days there have been calls for Casey's resignation from three veteran Republicans, including Sen. Barry Goldwater of Arizona, chairman of the Intelligence Committee.

Asked about Casey's congressional support, Gergen told a news briefing:

"Over the course of the last 24 hours, several senators have indicated to the White House that they will not rush to judgment with regard to Mr. Casey. Out of fairness, they believe it is important to withhold judgment until all the facts are in and have been carefully

CONTINUED

A spokesman for the Intelligence Committee said the panel will immediately look into the case.

Sporkin, who formerly was enforcement chief for the commission, said the corporate kickbacks occurred during an eight-year period that ended just before Casey joined the company. The commission's investigation of the fraud, however, continued during the 1976-77 period that Casey served on Gamble's board.

Sporkin said he did not know the time or the circumstances of Casey's resignation from Gamble, which the company said occurred June 24, 1977, more than two years before Casey's three-year term was to expire. Casey had been chairman of the Securities and Exchange Commission from 1971 to 1973.

In the case involving Gamble, a firm that operates a chain of food stores, department stores and pharmacies, the commission charged that Herbert B. Nelson and Samuel Luftig had accepted kickbacks for themselves and for an overseas Gamble subsidiary they ran.

The \$300,000 in kickbacks paid by foreign shippers and Japanese television manufacturers was used in part "to assist in paying the expenses of Gamble's offices in Hong Kong and Tokyo," the commission charged. The complaint added that Gamble, "aided and abetted by defendants Nelson and Luftig, filed and caused to be filed with the commission certain reports . . . which were false and misleading."

The company failed to exercise proper management controls, the lawsuit said.

The Customs Service and the Federal Maritime Commission launched parallel investigations into Gamble's overseas affairs in 1976. Casey's resignation after seven months as a director came amid a series of management changes that ultimately led to the departure of B. C. Gamble, the company's co-founder, according to commission records.

Meanwhile, the New York Times reported Saturday that Casey had failed to tell the Intelligence Committee about receipt of a gift of \$10,000 interest in another business venture. The newspaper quoted Carl G. Paffendorf, a business associate of Casey's, as saying that in late 1976 he gave Casey an interest in Penverter partners, a concern involved in developing computer technology.

Casey paid a nominal sum of \$100 at the time, but the interest rapidly grew in value, Paffendorf said. Casey said through a spokesman that he did not consider his business interest to be a reportable gift.

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ON PAGE A-1.

WASHINGTON POST  
26 July 1981

## Reagan Again Defends Director

# Friends Lobby to Keep Casey at CIA

By Patrick E. Tyler  
Washington Post Staff Writer

Supporters of embattled CIA Director William J. Casey yesterday launched a public campaign to help him keep his job, while the president offered a stronger defense of his intelligence director and old friend.

Three prominent friends of Casey, including Sen. Paul Laxalt (R-Nev.), called a press conference to defend the man they say has distinguished himself in business, politics and government and to counter demands that he resign in the wake of his clandestine service chief, Max Hugel, being forced from office by allegations of financial wrongdoing.

Almost at the same time, White House spokesman David R. Gergen said that "the president believes that Bill definitely ought to remain on the job."

Gergen called the Saturday briefing to deliver the new hard line on Casey, after the unexpected statement Thursday night by Sen. Barry Goldwater (R-Ariz.) that Casey ought to resign because of the poor judgment he showed in appointing Hugel to one of the most sensitive jobs in the government.

The president, Gergen said, "believes that Mr. Casey is doing a fine job at the CIA. In light of that background the president is standing fully behind Mr. Casey." Gergen added that Reagan has received calls from "three to five" senators urging him to "withhold judgment until all the facts are in and have been carefully weighed."

The message was similar a few blocks away at the Mayflower Hotel where Leonard Marks, former director of the U.S. Information Agency, Stanley Sporkin, CIA general counsel and former enforcement chief at the Securities and Exchange Commission, and Laxalt praised Casey's character and service.

Sporkin, who said he is involved in Casey's defense because the Senate Intelligence Committee has directed questions to the CIA general counsel's office, also denied allega-

tions that Casey misled potential investors in a corporate fund-raising effort in 1971 and that fugitive financier Robert Vesco had been involved in Casey's past business enterprises.

"Believe me," said Sporkin, "I know securities fraud when I see it and this isn't it." It is a "horrendous" injustice "talking about conduct that took place in 1968 and 1969," Sporkin said, referring to recent court rulings that have criticized Casey and other directors of a large-scale farming venture, Multiponics Inc.

When a reporter quoted from a New York federal judge's ruling that Casey had "misled" investors in the Multiponics case, Sporkin fired back, "Now why do you say that word?"

Laxalt, who said he had not known Casey as long as the others, nevertheless credited him with saving President Reagan's presidential campaign from what he termed organizational "shambles" and "near bankruptcy."

"He marshaled that money like no one has ever seen in politics," the Nevada senator said, adding, "I believe that were it not for Bill Casey, Ronald Reagan would not now be president." Laxalt said Casey's appointment to the CIA post was not a "political payoff" for Casey's rescue of the 1980 campaign.

In response to Goldwater's criticism that Casey should resign solely on the basis of his mistaken judgment on Hugel, Laxalt said Casey had told him that he would dispel the impression that Hugel's appointment was made "precipitously."

Casey "will indicate plainly to the committee that the Hugel appointment was a matter of intense consideration within the agency and a

consensus was actually reached within the agency to go with Mr. Hugel. He had the requisites they felt they needed at the time," Laxalt said.

The three men also said that testimonial lunches for Casey have been organized for Aug. 3 and Aug. 6 in New York and Washington.

Meanwhile, as the White House was operating on the assumption that the Senate Intelligence Committee investigation of Hugel and Casey would be completed this week, the senators were considering hiring Fred Thompson, veteran of the Watergate investigation, as a special counsel for an extended inquiry.

The expectation within the administration is that the Senate probe will be wrapped up before Reagan goes to California for a vacation in early August. "It would be intolerable to have this situation drag out for weeks on end," a White House official said.

Just as friends have begun to rally around Casey, "there's also a sense of rallying around the chairman [Goldwater]," one Senate source said. "He really has the interests of the agency at heart."

Goldwater's call for Casey's resignation was followed by an assent from Republican whip, Sen. Ted Stevens (R-Alaska). Sen. William V. Roth Jr. (R-Del.) is so far the only Republican on the committee to join Goldwater in calling for Casey's resignation.

But Sen. David F. Durenberger (R-Minn.) was believed by some sources to be on the verge of urging Casey's resignation. Sen. Harrison H. Schmitt (R-N.M.) was also described as being "upset" with Casey for his failure to consult with the committee more often.

Staff writers Lou Cannon and George Lardner Jr. contributed to this report.

25 July 1981

## EDITORIALS

## The case against Casey

The question before the Reagan administration in the matter of William J. Casey is whether a person judged by a federal court to be lacking in integrity should hold high national office. Our answer: No.

Casey, director of the Central Intelligence Agency, is the first top member of the Reagan administration whose character and judgment have been strongly questioned — and by members of his own party. Within the last two days three major figures in the Republican party — Sens. Ted Stevens of Alaska, William Roth of Delaware and Barry Goldwater, chairman of the Intelligence Committee — have called for Casey to step down.

The instance about which much of the fuss is made is more than 10 years old. Casey and seven others knowingly misled investors in raising \$3.5 million to bail them out of a failing agribusiness venture, U.S. District Judge Charles E. Stewart Jr. ruled recently. In the process, Casey, who had the largest initial investment in the project of almost \$150,000, benefited personally by shedding a \$300,000 mortgage obligation. In a "memorandum decision" Stewart said Casey and the seven other original investors sought additional funds for their farm business. But the offering circular they distributed included false and misleading information and omitted

material that detracted from the appeal of the business, Stewart said. As a result, new investors were not told they were assuming a multimillion-dollar debt owed by the founders. The business eventually went bankrupt and the subsequent investors filed suit in October 1974. That proceeding now has resulted in the finding against Casey.

But there is more to the case against Casey. The calls for his resignation have more substance than one land deal. Stevens says there are a number of questions about other such "matters of judgment." Goldwater talks about investigating into Casey's previous testimony before Congress for inconsistencies. Roth, who also is a member of the Senate Intelligence Committee, says Casey will no longer be able to effectively discharge his duties as head of the CIA. There also is the case of Max C. Hugel. Hugel, head of CIA clandestine operations, resigned recently after being accused of improper or illegal stock market practices. He was Casey's handpicked assistant and his competence was questioned from the start.

Casey has been judged to be lacking in the kind of integrity and has demonstrated a lack of the kind of judgment we expect of national leaders. He should resign and save President Reagan the burden of showing him the door.

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BILL MONROE: Our guest today on Meet the Press is Senator Henry M. "Scoop" Jackson, Democrat of Washington, a 1976 contender for the Democratic presidential nomination, he served last winter on President Reagan's transition advisory team. He is a member of the Armed Services, Intelligence, and Energy Committees.

Senator, you have not joined those senators on the Intelligence Committee calling for the resignation of William Casey as head of the CIA. But some of them say that his credibility is gone because he put an amateur, Mr. Hugel, in charge of clandestine operations, apparently without a painstaking check on his background, and because a judge recently found that he misled investors in a business deal 10 or 11 years ago.

What is your view of all this?

SENATOR HENRY JACKSON: Well, Mr. Monroe, the appropriate place to discuss those issues is before the Senate Intelligence Committee. I believe that Mr. Casey should have his day in court. He's not getting that up to now. And I would hope that this coming week, that this Mr. Casey will have an opportunity, under oath, to respond to the questions that have been raised.

Bear in mind, some of these questions go back for some time. Mr. Hugel affair took place several weeks ago. And very clearly, in my own mind, I'm going to reserve judgment until I've heard Mr. Casey respond to all of these allegations. I think that's the decent thing to do. But it looks to me like they're trying to lynch him in public.

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I went through the McCarthy period, and I don't want to see a repetition of that kind of thing.

MONROE: Some people have emphasized, as you just did, that some of these charges are not new, and they're expressing some surprise at what appears to be a sudden gang-up on Mr. Casey or a concentration of several senators asking for his resignation.

Is there more to this than meets the eye?

SENATOR JACKSON: Well, I think there's some personality problems. But clearly the Hugel thing has been around for quite some time, and he should have been brought up to the committee earlier on in connection with the Hugel thing. I think he made a mistake. And I think Mr. Casey would probably be the first to admit that he made a mistake in appointing Mr. Hugel to a very, very sensitive post in the CIA.

But having made a mistake -- we've all made our share -- then what about these other issues? I don't know. They've been around too. And I am at a loss to understand why these issues, so-called, are all coming to the fore all of a sudden. I don't know what's behind it. But I know one thing. There's one forum that's available. He's entitled to be in that forum. I'm going to do all I can to see that he has his day in court.

MONROE: Senator, you made it pretty clear last year that you were not very happy with President Carter's foreign policies, that you apparently felt he was not tough enough in his dealings with the Soviet Union. And you served on the Reagan transition team as an adviser. Do you like President Reagan's foreign and defense policies six months into his Administration?

SENATOR JACKSON: Well, he's tough enough. But I think he better -- he needs to do a little better organizing and coordinating. I think his objectives are still proper and appropriate. But he has quite a bit to do yet to get his team together, so that we really will know who is making foreign policy for the President. The President, of course, is the ultimate person in that regard. But he needs to get his house in better order, in my view.

MONROE: Thank you, Senator.

Our reporters on Meet the Press today are Rowland Evans of the Chicago Sun-Times, Robert Kaiser of the Washington Post, and Tom Pettit of NBC News.

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MONROE: We'll continue the questions for Senator Jackson with Mr. Evans.

ROWLAND EVANS: Senator, you surprise me, referring to -- I assume you're referring to the chairman of your committee, Senator Goldwater, because he is the one who has made the biggest stink about Bill Casey, when you use phrases like a lynching bee, lynching Mr. Casey in public, you talk about McCarthyism.

Do you really think Barry Goldwater is guilty of McCarthyism?

SENATOR JACKSON: No. No, not at all.

EVANS: Well, who, then? Who, Senator?

SENATOR JACKSON: Well, there's an attitude and a tone on the part of a long list of people. I think, very clearly, they are trying to do Mr. Casey in without an opportunity to be heard. I would think the press would love to attend a meeting of a committee where all these questions could be responded to. Most of these matters have been around for a while.

EVANS: But Senator, who in specific? When you use the phrase McCarthyism, you're not referring to Senator Goldwater? Because he is the man who has made the biggest stink about the Casey affair.

SENATOR JACKSON: No. Well, there've been a number of others that have made it too. It's just a whole attitude that I think is wrong. I think, clearly, when charges of this kind are made, the first thing a senator and others who -- in the general public should ask for is a hearing. I mean rather than trying him in the press, trying him in the media. That's what I don't like.

I'm not -- I don't know the truth or falsity of any of these charges, and I'm not here fronting heartily for Mr. Casey.

EVANS: Have we reached the point, Senator, where the fact of a charge, an allegation which gets into the headlines automatically removes the possibility of that public figure re-achieving or keeping his credibility as a public servant? Has Mr. Casey passed that point already because of these attacks?

SENATOR JACKSON: Mr. Evans, you're getting right at the heart of this problem. With charges of this kind floating around day after day for a sustained period, the public may well lose confidence in the ability of that person to serve as the Director of the CIA. That is the part that really disturbs me. Not having the facts, not knowing what is true. The facts are we don't have any facts.

EVANS: Have you discussed this personally with the chairman of the committee, Senator Goldwater?

SENATOR JACKSON: Yes, I've...

EVANS: What does he tell you, Senator?

SENATOR JACKSON: I have -- well, I understand his feelings. I think he became very upset -- and I don't pretend to speak for Senator Goldwater -- and with justification, in the Hugel appointment. Clearly, Mr. Hugel was not qualified. But I think the sensible thing would have been to have Mr. Hugel, or Mr. Casey before the committee when this matter came up.

It's true Mr. Hugel is not subject to Senate confirmation. But we have the responsibility of overseeing the CIA in all of its very sensitive operations. Mr. Hugel was put in charge of the most sensitive area of American intelligence. This, to me, was a tragic mistake. And I suspect that Mr. Casey, being, I think, a decent man, will admit it.

And the sooner we get that behind us -- we now have a very good man in there and he's made some excellent appointments, Dr. Harry Rowen from Stanford, first class, who will be in charge of overseeing the evaluation of the assessments made by the various elements in the intelligence -- that is lost sight of. I mean he's named some very good people.

But let's get it in a forum where we can see for ourselves what the charges are and the validity of those charges. I'm -- I feel very deeply about people being kicked around in the public print. That's what happened during the McCarthy period. That's what I was referring to. I don't like it.

ROBERT KAISER: Senator, it may be a professional prejudice of mine, but I miss the old-fashioned politics in Washington. We seem to have a President now who's silenced the Democrat leaders like you. And yet we've got a spectacle here that seems pretty terrific to a reporter like me. We've got a Cabinet member attacking Prime Minister Begin and the Chief of Staff in the White House saying no, that was a mistake. We've got the CIA being made an object of ridicule. We've got the Secretary of Defense coming out with a long-range posture guidance -- excuse me -- guidance for the forces that would cost tens of billions, hundreds of billions to fulfill and completely change the posture of the American defense establishment. We've got total disarray on the question of new strategic weapons. We've got ongoing public quarrels between the White House and the Secretary of State, and the confusion you mentioned in the national security apparatus.

Why, in the face of all this, are leading Democrats like you not going after this President?

SENATOR JACKSON: Well, Mr. Kaiser, there's a time and

place for everything, I've learned, in politics. Part of the genius of politics is not to jump in when the other side is doing very well for themselves from your point of view. If you jump in, you make it partisan. When you watch it move along, then, I think, it has more impact on the public.

Clearly, the American people want to give Mr. Reagan a chance. I believe in that. There's an element of fair play. And we're in that period right now where he should be given a chance. And clearly, from a partisan point of view, I think at this point in time the best politics are no partisan politics at this moment.

KAISER: Do you think -- to get specific on one of those matters...

SENATOR JACKSON: I'm just learning in politics.

KAISER: Yeah, as a newcomer.

SENATOR JACKSON: I've watched a few of these scenes, and I -- you know, the guy gets so anxious: "God, we've got to jump right in now." And they're doing so well in certain areas of foreign policy, in the economy.

Look, for example, I -- they have said interest rates are going down every month. Every week there's been an announcement. I happen to be of the Dr. Henry Kaufman school, who warned over and over again that if you follow this formula, we're going to reach a new peak in interest rates. And clearly, when Democrats jump in and make a partisan issue of something which everyone out there feels every day -- I just cite that one issue. That was the only item you left out on the...

KAISER: I've got more.

SENATOR JACKSON: ...confusing agenda.

But I think a partisan jab simply aids the other side. That's a matter of tactics and judgment.

KAISER: Let me ask you a specific one about an issue that's been of concern to you for many years, about the Israeli-American relationship. Has Prime Minister Begin now become a real liability in that relationship? Or how do you see it?

SENATOR JACKSON: I would not say so. Mr. Begin's biggest problem is the personality one. That's true within his own country, as it is abroad. He's not a Sadat. He's a very smart, very intelligent person.

I think what's needed here is that both countries, the

United States and Israel, have a mutual responsibility in connection with their strategic relationship. And that has not taken place. There's mistakes made on both sides. And I believe that the Administration has a duty, Mr. Begin has a duty to confer, to work out these problems in advance, and not shoot from the hip, so to speak.

And there's been -- as you just recited the comments of some of the members of the Cabinet -- too much of that on our side and too much of it on his side.

TOM PETTIT: Senator, do you think the Israeli raids on Lebanon, which killed civilians in massive numbers, were right or wrong?

SENATOR JACKSON: I can understand how it took place, Mr. Pettit. One must get the picture of what's going on over there. The PLO are supported not just by the Syrians, but the PLO is supported by hundreds of Libyans. Libya is moving arms, heavy arms, and equipment from Libya, through Syria, into Lebanon. They are manning SAM sites. It's a large operation coordinated, I believe, by the Soviets, who are supplying the equipment to the PLO and to the Syrians and to the Libyans.

PETTIT: Senator, are you saying it was morally right for Israel to kill civilians in Lebanon in order to reach their true enemy?

SENATOR JACKSON: Let me put it this way, Mr. Pettit. Was it morally right for the Libyans and the PLO to fire rockets into Israeli villages, killing innocent women and children? That's where it started.

PETTIT: Well, was that...

SENATOR JACKSON: Now, you can say there was an over-reaction. You can say all those things. The truth is that in this kind of a conflict, civilians are going to get hit. They've been hit on both sides.

The job now is to bring the parties together. Mr. Habib, I think, has done a remarkable job in getting a temporary ceasefire, and we need to go from there to determine whether that area, a neutral zone, should be extended so that we can lessen the danger.

No, it's not right to kill civilians. But it happens to have occurred on both sides. And in any conflict, that's going to take place.

PETTIT: Excuse me, sir. Given all those facts, is it now appropriate for the United States to resume the shipment of

F-16s to Israel?

SENATOR JACKSON: Well, it's going to take place. The question is, what week is it going to take place, Mr. Pettit. It's in relationship to the events of that particularly week. I mean it's no use being phony about it. It's going to occur. It may occur next week, depending on how long the ceasefire occurs. This is primarily being handled in the background of PR, public relations.

MONROE: Senator, you say that you think the Soviets are coordinating the PLO buildup with help from the Syrians and Libyans. You're a member of the Intelligence Committee. You've got sources many of us do not have. Do you have knowledge that the Soviets are coordinating this?

SENATOR JACKSON: There isn't any question that the Soviets are working closely with the PLO and with the Libyans. In Libya you have the largest forward base that the Soviet Union has for equipment.

MONROE: Are you backing off from the word coordinating? You're going now to working with.

SENATOR JACKSON: No. Well, I don't care how you put it. Let's take one at a time. They are providing the equipment. They provide support and training for the Libyans. They provide equipment and support and training for the PLO. And they're in Syria. They're in there in large numbers.

Now, you put it all together, you come to one conclusion, and it's an inference you have to draw that without Soviet support and assistance, these events would not be taking place.

EVANS: Senator, I want to take you up on something you said a second ago. You said we should work out in advance with Israel certain strategic problems involved in the use of our F-16s and other weapons, and mistakes that you said we had also made. Do you think that there should be a more serious restriction on the use as offensive, for offensive use -- and I would assume you would agree that attacking Baghdad, a couple of hundred miles away, is an offensive affair -- there should be more coordination with Israel on that, that we should ask them to ask us, in some way, before they use our weapons this way?

SENATOR JACKSON: Mr. Evans, let's look at the big picture. What do we do in the event that the Soviets exercise their authority under the 1921 treaty to intervene in Iran? That's the big picture. Or what if there's a coup d'etat in Saudi Arabia? Those are the two big possibilities, from a geopolitical point of view. That's what I'm looking at.



EVANS: When you say work out in advance, then you're talking about a possible Soviet invasion of Iran, and the U.S. and Israel working out its answer to that.

SENATOR JACKSON: Well, you know, I think what I guess I have to look at, as an American, first in this kind of a context is, who can we count on, Mr. Evans, in the event of a Soviet move? Who has credibility with the Russians? I would name three countries: Israel and Turkey. Turkey's astride the invasion route.

EVANS: What's the third?

SENATOR JACKSON: And Egypt.

EVANS: Not the Saudis.

SENATOR JACKSON: How many divisions can they put in the field, Mr. Evans?

EVANS: I'm asking the questions here, Senator. I'm asking the questions. And I want to come back...

SENATOR JACKSON: You know, I'm just a country boy from Everett, Washington.

EVANS: I'd like to come back to the one-the-ground...

SENATOR JACKSON: When I get down to the...

EVANS: ...on the Lebanon-Israeli border for a second, sir.

If the PLO changed its position and admitted that Israel was a sovereign state, would you agree that the PLO should -- or the Palestinians should have a right to a state on the West Bank?

SENATOR JACKSON: No. I believe that a condition precedent, clearly, to negotiations, the recognition of the state of Israel as a sovereign state. The problem on the West Bank is one in which they should be given limited sovereignty. Control over foreign and defense policy, clearly, should rest with the Israelis. It's the only way Israel can survive.

If you go back -- and U.N. 242 does not require that. If you go back to the pre-'67 borders, all of Israel except Haifa would be within artillery range.

And I think President Sadat understands that. I know I've talked with him about it.

EVANS: And you agree that the U.S. should not, under any circumstances, negotiate with the PLO, even though they are

the military force on the ground in southern Lebanon, even though they are the ones that with Israel have made the ceasefire, until they recognize Israel. Is that your position.

SENATOR JACKSON: I think that, very clearly, you cannot deal with a group of terrorists. If we're going to start negotiating with terrorists, then you turn around and debase the whole element of political and diplomatic intercourse between countries.

KAISER: Senator, for years you've been a leading spokesman of the hard-line position on dealing with the Russians, and in recent years you've talked a lot about Russian strength. I wonder if you think that the failure of the Russians to prevent a real revolution from occurring in Poland, in their own state-life, this year suggests that maybe the Soviets aren't as strong as we feared, and that maybe we're entering an era when the Soviet weakness is going to become a factor.

SENATOR JACKSON: Well, I think Soviet weaknesses not only become a factor, Mr. Kaiser, but they become a dangerous factor. I'm not of the school that believes that because there is a softening from within -- you know, the nationalities problem. They've got 150. The Moslem population will be very large by the year 2000. Nothing works in the system. You've got the Polish problem. I don't think that necessarily means good news. I think it increases risk-taking.

The Polish problem creates a whole new issue for the Soviets. Clearly, the normal Marxist-Leninist principles, that the party must remain supreme, is not the only real issue. The real issue that deters the Soviets is the danger that the whole world will see that the Warsaw Pact is a paper tiger, that without Poland -- if they get into conflict and bloodshed -- without Poland, there's no Warsaw Pact. I think that must bug the Russian military planners.

I believe this is a time of great danger, time of restraint. I'm not one of these individuals who goes around denouncing the Soviets to anger them and to increase the decibel level of the rhetoric. I think that's dangerous. And I think the Administration has made some mistakes in that regard. Reserve that kind of rhetoric to the private conversations, and not out in public.

PETTIT: Senator, you know as well as anyone that McCarthyism was not about trial in the press, it was about accusations challenging people's loyalties to the government of the United States. That was the essence of it. Wouldn't you agree?

SENATOR JACKSON: Well, that was part of it. But the key thing was to create an impression about an individual or individuals that was indeed by false by building it up through leaks,

through stories, and not giving the individual a right to be heard.

PETTIT: There's no accusation challenging Mr. Casey's loyalty. So I suspect you would agree to, say, open hearings to hear his side of the matter before the Intelligence Committee.

SENATOR JACKSON: No. The first thing you do, in order to protect the good name of anyone, is to have a closed session so you can find out the truth or falsity of these matters, and then go public.

MONROE: Thank you, Senator Jackson, for being with us today on Meet the Press.

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NEW YORK DAILY NEWS  
26 July 1981

# CIA chief— The ax nears

BY JOSEPH VOLZ

Washington (News Bureau)—William J. Casey, the embattled director of the Central Intelligence Agency, may be forced out of office in the next two or three days, despite his last-ditch effort to persuade President Reagan that he can still function effectively as the nation's top spymaster.

At a White House briefing yesterday, David Gergen, a spokesman for the President, said Reagan believes that Casey "definitely ought to remain on the job" if his only fault was poor judgment in picking the chief of the agency's clandestine services. However, Gergen was quick to add that if there were other charges against Casey—including questions about his tangled financial dealings—then the President would have to review the matter.

The statement was in marked contrast to earlier Reagan statements, in which he pledged unqualified support for Casey. The indications were clear that although Reagan still publicly expressed support for Casey, privately he has decided that Casey's fate is up to the Senate Intelligence Committee, which will hold hearings tomorrow.

White House chief of staff James Baker, in talks with Sen. Barry Goldwater (R-Ariz.), the committee chairman, and others, has been given the clear impression that a majority of panel members wants Casey out. Casey's tangled business relations, his frequent court suits and his withholding of key financial information from the intelligence panel when he was confirmed as CIA director last January have made him more of a liability than an asset, Baker has been told.

An Informal Daily News survey indicated that if a vote were held today on Casey, the intelligence panel would vote for ouster. But only the President has the power to get rid of Casey, and he apparently has decided to wait at least until tomorrow, when intelligence panel staffers present their investigative report on Casey to Goldwater and Sen. Daniel Patrick Moynihan (D-N.Y.), the committee's vice chairman.

**GOLDWATER, HOWEVER** knows the contents of the report and already has called publicly for Casey's departure. Goldwater's opposition to Casey stemmed from the CIA's chief's selection of Max Hugel, a businessman with little experience in the intelligence field, for the highly sensitive job of chief of the agency's clandestine services. Hugel has resigned in the wake of charges about his own business dealings.



AP

William Casey—CIA chief under fire.

Goldwater refused twice Friday to see Casey, and Reagan also was not available to Casey, either in person or on the phone. The White House press office also declined Casey's request to distribute a statement he had written contending he had not misled the intelligence panel, as Goldwater charged.

The key issue in Goldwater's mind appears to be whether or not Casey misled the senate panel investigating his CIA nomination by saying he lost \$150,000 in a defunct New Orleans firm, Multiponics Inc. Goldwater contends that Casey actually earned \$750,000 and failed to tell the panel of the case last January.

And reliable sources said that Goldwater believes that Casey's dealings over the last decade show a broad pattern of misleading would-be investors and changing his testimony when challenged in a series of civil suits.

Goldwater reportedly told Casey on Friday that if the two had been business partners, they no longer would be now. Casey, furious at Goldwater's call for his resignation, called the senator at home at 2:30 a.m. Friday to complain.

CONTINUED

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A DAILY NEWS examination of more than 800 pages of congressional and court records of Casey's financial dealings before he joined the CIA also portrays him as a businessman frequently accused of withholding key information from investors in companies that then went bankrupt. Among the allegations are:

- Casey, as chairman of the board of Advancement Devices, a small communications firm, was sued in New York Federal Court by a disgruntled investor, Roland Boggs, who contended that he had been misled about the firm's potential. The firm went into receivership, and Casey—after first denying that he controlled the firm—conceded in legal papers that he was chairman of the board. Casey put up \$100,000 and hoped to get back \$80,000 immediately in the stock offering.

The man Casey chose to arrange the private stock offering also raised eyebrows. He was Charles J.

Thornton, an employee of L.H. Rothschild and Co. who had been expelled from the securities business in 1948 by the Securities and Exchange Commission for manipulating stock prices on the Chicago exchange.

- Casey failed to notify the Richard Nixon administration about the matter when he was nominated as SEC chairman in 1971.

- Casey also was involved in a bitter plagiarism suit, which he settled out of court. The details of the suit were not as significant as the fact that a federal judge later testified that Casey had misrepresented the judge's position in testimony.

In testimony before the Senate Banking Committee, Casey insisted that the judge who heard the case said that a jury verdict against Casey "was not supported by the evidence." But the judge, J. Braxton Craven, said: "I do not recall telling anyone that the verdict was not supported by the evidence." Casey later conceded that his comment was "perhaps more explicit than it should have been."

The following notes are based on monitoring a broadcast of National Public Radio's "All Things Considered", fed by the network from 5:00 to 6:00 p.m. on Saturdays and Sundays. The program is carried locally from 5:00 to 6:00 on WETA-FM and, by recording, from 6:30 to 7:30 on WAMU-FM. At approximately 5:30 on 26 July there was a segment with correspondent Allan Burlow devoted to the DCI.

1. President Reagan is standing behind Mr. Casey.
2. Friends are rallying to his support.
3. Others are putting pressure on Mr. Casey to resign.
4. The "Senate Intelligence Committee" (Senate Select Committee on Intelligence?) is looking into several broad areas:
  - a. complete list of Mr. Casey's legal clients;
  - b. complete list of court cases in which Mr. Casey was a plaintiff or a defendant over the last five years (note was made of Mr. Casey's failure to advise the committee during the hearings for his confirmation as DCI earlier this year of one important court case);
  - c. requesting further information on gifts to Mr. Casey, suggesting a committee suspicion that information they were provided earlier this year is incomplete;
  - d. review of court cases in which Mr. Casey has been involved over the last 20 years.

Then they played a recording of Mr. Sporkin's remarks yesterday that it would be "horrendous" to talk about old cases involving Mr. Casey.

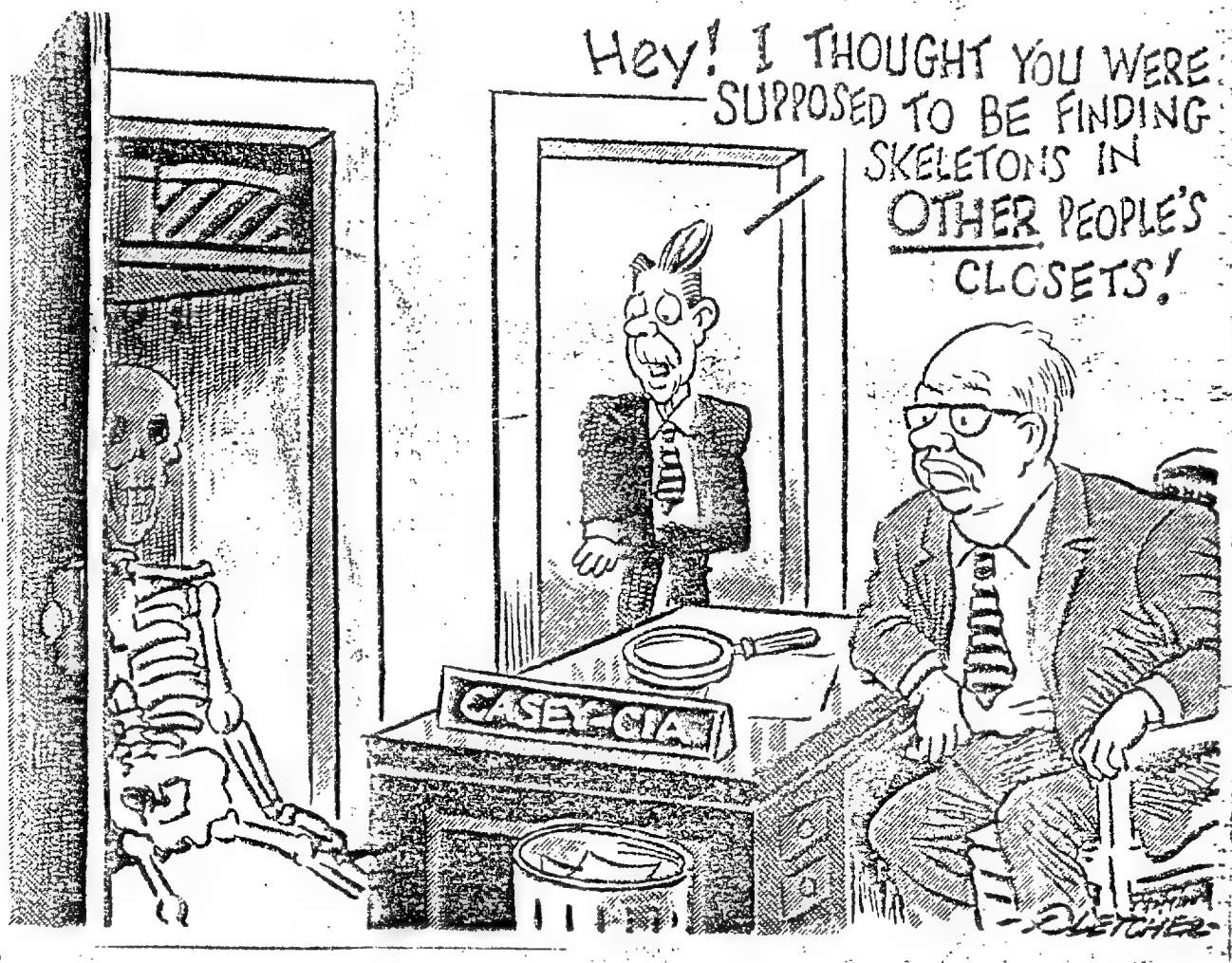
5. Burlow then noted that the Multiponics case has not yet been resolved, that Mr. Casey and other Multiponics directors were found by two separate judges, one in New York and one in New Orleans, to have misled prospective shareholders and to have omitted relevant information in prospectuses. He noted that, while the New Orleans case is closed, Mr. Casey has appealed the New York judge's findings. Burlow added that, during the Senate Committee's hearings on his confirmation to DCI, Mr. Casey failed to mention the New Orleans Multiponics suit.
6. The anchor asked Burlow if there was any pattern to Mr. Casey's legal problems. Burlow said that during the hearings for Mr. Casey's appointment to the Securities and Exchange Commission it was revealed that Mr. Casey had been sued in a case similar to the suits involving Multiponics. Mr. Casey had been sued for \$10,000 for providing false and misleading statements to prospective investors. He settled by paying the plaintiff \$8,000 and admitting that information in the relevant prospec-

tus was "outrageous".

7. Burlow then related another case that came to light during the SEC hearings, relating to a man named Fields who in 1959 submitted to Mr. Casey a manuscript which Mr. Casey returned saying he "wasn't interested". Later a book published by Mr. Casey contained two and a half pages lifted almost verbatim from the rejected Fields manuscript. Fields contacted Mr. Casey and complained about the plagiarism and Mr. Casey was quoted as offering to pay \$250 to Mr. Fields, noting that only two and one half pages of the manuscript was involved. Mr. Fields sued and won a jury award of \$40,000, of which \$12,500 was punitive damages. Mr. Casey's lawyer asked the trial judge to expunge the jury award if Mr. Casey would pay Mr. Fields \$20,000 immediately and agree not to appeal the case. The judge, after getting Mr. Fields' concurrence, agreed to the \$20,000 settlement. At the SEC hearings Mr. Casey denied that he had been involved in any plagiarism, said that the judge didn't think the jury finding was supported by the evidence and said that the judge had ordered the trial proceedings sealed. When queried later, the judge said the verdict was amply supported by the evidence and that the trial proceedings were sealed at Mr. Casey's request. Mr. Casey then said at the hearings that his memory must have been faulty and that his original testimony at his confirmation hearings relative to the Fields case must have been wrong.



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NEW YORK TIMES  
26 JULY 1981

## White House Concerned by Calls By Senators for Casey Resignation

By STEVEN R. WEISMAN  
Special to The New York Times

WASHINGTON, July 25 — White House officials said today that Republicans on the Senate Intelligence Committee seemed to have such strong "personal" objections to the fitness and judgment of William J. Casey that the Director of Central Intelligence might have to resign.

But the officials said that President Reagan continued to support Mr. Casey despite suggestions from several Republicans on the intelligence panel that he resign. They said the President felt the allegations of past financial misconduct directed at Mr. Casey were of a "technical" nature that did not warrant the C.I.A. head's having to leave his post over them.

At a news conference this afternoon, David R. Gergen, the senior White House spokesman, said that Fred F. Fielding, the White House counsel, still believed that nothing that had come to light relating to Mr. Casey's financial dealings would cause him to feel that Mr. Casey had been less than forthcoming with the Intelligence Committee, the White House or anyone else.

Specifically, Mr. Gergen quoted Mr. Fielding as saying that an article in The New York Times today which said Mr. Casey had failed to disclose stock holdings in one corporation and the receipt as a gift of a \$10,000 interest in another business venture was "not a matter of great concern here."

### Reagan 'Firmly Behind Casey'

"The President believes that Bill Casey is a good and decent man who has served the country well for a good many years," said Mr. Gergen. "He also believes Mr. Casey is doing a fine job at the C.I.A. In light of that background, the President is standing firmly behind Mr. Casey."

Mr. Gergen said further that only some new allegation of financial impropriety about Mr. Casey could cause Mr. Reagan to change his mind. The spokesman maintained that if the only "substantive challenge" against Mr. Casey involved his judgment in the appoint-

ment of Max Hugel, the director of covert operations who resigned 10 days ago after criticism over his business dealings, "the President believes that Bill Casey definitely ought to remain on the job."

Mr. Gergen said Mr. Fielding regarded Mr. Casey's failure to disclose the stock holdings and the gift "as a minor omission."

However, White House sources said Mr. Fielding planned to keep in touch with both Mr. Casey and the counsel for the Central Intelligence Agency, Stanley Sporkin, on the various allegations that have been raised.

"We can't afford not to button down every little detail or contradiction," said one official.

This official, along with several others, said that top aides to Mr. Reagan had, however, come to think that the objections of various members of the Senate Intelligence Committee were "personal," having virtually nothing to do with the allegations on financial dealings.

Mr. Gergen maintained today that at least three Senators had in the last 24 hours reassured the White House that they would not "prejudge" Mr. Casey until the staff of the committee had sifted through the allegations against him.

"Over the course of the last 24 hours, several senators have indicated to the White House that they will not rush to judgment with regard to Mr. Casey out of fairness to him," said Mr. Gergen.

"They believe it is important to withhold judgment until all the facts are in. This is precisely what we hoped the members of the Senate would do."

But privately, White House officials acknowledged they had become alarmed by what they regarded as a virtual collapse of support for Mr. Casey among their normal allies.

These officials said it appeared that the Republicans had apparently developed such deep-seated objections to Mr. Casey that their feelings might not be eased even if Mr. Casey was cleared of violations by the Intelligence Committee investigation.

Several officials speculated that Mr. Casey simply had never developed much support in the committee, and that the "old boy network" in what is known as the "intelligence community" in Washington, consisting of intelligence specialists and alumni, had presented their misgivings on Mr. Casey's fitness to the members of the committee.

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URGENT

CIA DIRECTOR SEEKS APPEARANCE BEFORE SENATE I

BY MICHAEL J. SNIFFEN

ASSOCIATED PRESS WRITER

WASHINGTON (AP) - Embattled CIA Director Will  
Senate Intelligence Committee on Sunday to all  
committee hearing as soon as possible to try t  
over his tenure.

The 68-year-old intelligence chief stepped up  
hang onto his job in the face of questions about  
dealings; his management of the agency and calls for his resignation  
by three key Senate Republicans.

CIA spokesman Dale Peterson said that a voluminous stack of written  
materials was delivered to the Senate committee Sunday afternoon.

These responses were in answer to four pages of questions the  
committee sent Casey last week regarding his role as a director of a  
failed New Orleans farming venture called Multiponics Inc. and his  
appointment of Max Hugel; a businessman inexperienced in intelligence;  
to head the CIA's worldwide spy network; Peterson said.

Casey had promised last Friday to deliver the material Monday; but  
apparently speeded up his response when the committee staff indicated  
it would finish writing a preliminary report on its inquiry into  
Casey on Monday for presentation to a closed committee meeting Tuesday  
morning. Casey had said on Friday that his responses would lay the  
entire controversy to rest.

Peterson said Casey had sent a letter Sunday to Sen. Barry  
Goldwater; R-Ariz.; chairman of the committee; "respectfully  
requesting a committee hearing as soon as possible."

Sen. Henry Jackson; D-Wash.; said Sunday he hoped Casey would have a  
chance this week to respond under oath to the allegations. Jackson; a  
member of the Intelligence Committee; said he was against "trying  
him in the press."

Last Thursday night; Goldwater said Casey's appointment of Hugel as  
deputy CIA director for operations had harmed the agency enough for  
Casey to resign or for President Reagan to fire him.

On Friday morning another committee Republican; Sen. William V. Roth  
of Delaware and the deputy Republican leader in the Senate; Sen. Ted  
Stevens of Alaska; had both called on Casey to resign; saying he no  
longer could effectively lead the agency.

But backed by a reaffirmation of support from Reagan; Casey swung  
into action on Friday; visiting a series of Senate offices seeking an  
opportunity to rebut the allegations against him.

On Thursday afternoon; a series of Democrats on the committee  
publicly took the position that Casey was being railroaded and

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RESERVED AN OPPORTUNITY TO TELL THE COMMITTEE HIS SIDE OF THE STORY. APPROVED FOR RELEASE 2005/11/28 : CIA-RDP91-00901R000400160001-9  
DESCRIBING CASEY'S LETTER TO GOLDWATER, PETERSON SAID. MR. CASEY SAID THAT HE BELIEVES IT IS IN THE BEST INTEREST OF THE COUNTRY THAT THIS MATTER BE HANDLED EXPEDITIOUSLY AND TO FACILITATE THAT HE WOULD BE PLEASED TO APPEAR PERSONALLY BEFORE THE COMMITTEE AND EXTEND HIS FULL COOPERATION ON ANY MATTERS INTO WHICH COMMITTEE MEMBERS MAY WISH TO INQUIRE."

JACKSON, APPEARING ON NBC'S "MEET THE PRESS" PROGRAM, SAID OF THE CASEY AFFAIR: "IT LOOKS TO ME LIKE THEY'RE TRYING TO LYNCH HIM IN PUBLIC."

"I WENT THROUGH THE McCARTHY PERIOD AND I DON'T WANT TO SEE A REPETITION OF THAT KIND OF THING," JACKSON SAID.

HE SAID HE WAS NOT ACCUSING GOLDWATER OF McCARTHYISM BUT HE DECLINED TO SAY WHO HE WAS ACCUSING.

"THERE IS AN ATTITUDE AND A TONE ON THE PART OF A LONG LIST OF PEOPLE. I THINK VERY CLEARLY THEY ARE TRYING TO DO MR. CASEY IN WITHOUT AN OPPORTUNITY TO BE HEARD," JACKSON SAID. "I AM AT A LOSS TO UNDERSTAND WHY THESE ISSUES, SO-CALLED, ARE ALL COMING TO THE FORE ALL OF A SUDDEN. I DON'T KNOW WHAT'S BEHIND IT," HE SAID.

JACKSON, ASKED WHETHER CASEY SHOULD TESTIFY BEFORE THE COMMITTEE IN A CLOSED SESSION OR A HEARING OPEN TO THE PUBLIC, REPLIED: "THE FIRST THING YOU DO IN ORDER TO PROTECT THE GOOD NAME OF ANYONE IS TO HAVE A CLOSED SESSION SO YOU CAN FIND OUT THE TRUTH OR FALSITY OF THESE MATTERS, AND THEN GO PUBLIC."

CASEY'S COUNTEROFFENSIVE CONTINUED APACE OVER THE WEEKEND.

ON SATURDAY, CIA GENERAL COUNSEL STANLEY SPORKIN JOINED TWO OF CASEY'S FRIENDS AT A WASHINGTON NEWS CONFERENCE TO DEFEND HIM. FLANKED BY SEN. PAUL LAXALT, R-NEV., REAGAN'S CLOSEST FRIEND IN THE SENATE, AND FORMER FEDERAL OFFICIAL LEONARD MARKS, SPORKIN, WHO FORMERLY WORKED WITH CASEY AT THE SECURITIES AND EXCHANGE COMMISSION, SAID THERE WAS NO FRAUD INVOLVED IN CASEY'S ROLE IN MULTIPONICS.

ON SUNDAY, THE CIA'S PRESS OFFICE ALERTED REPORTERS IN WASHINGTON THAT FORMER NIXON ADMINISTRATION TREASURY SECRETARY WILLIAM SIMON WOULD DEFEND CASEY AT AN APPEARANCE IN SYRACUSE, N.Y.

HUGEL RESIGNED ABRUPTLY ALMOST TWO WEEKS AGO AFTER TWO NEW YORK STOCKBROKERS ACCUSED HIM OF MANIPULATING THE STOCK IN ONE OF HIS FIRMS IN 1974. HUGEL DENIED ANY WRONGDOING.

SHORTLY THEREAFTER, TWO PREVIOUSLY OVERLOOKED FEDERAL COURT RULINGS SURFACED CRITICAL OF CASEY'S ROLE IN MULTIPONICS.

IN MAY, A FEDERAL JUDGE IN NEW YORK RULED THAT CASEY AND OTHER DIRECTORS OF THE FIRM HAD KNOWINGLY MISLED POTENTIAL INVESTORS IN IT. A YEAR AGO, A FEDERAL APPELLATE COURT IN NEW ORLEANS RULED THAT CASEY AND HIS CO-DIRECTORS HAD DRIVEN MULTIPONICS "DEEP AND DEEPER INTO DEBT" BY MANAGING IT IN A "PATTERN OF SELF-INTEREST."

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BRX-CASEY; INSERT; A230,80

EXRSHN: TO UPRTE WITH SIMON COMMENTS; INSERT AFTER 4TH GRAF FROM END:  
ON SUNDAY . . . SYRACUSE, N.Y.

A SHORT TIME LATER; SIMON MET WITH REPORTERS TO BLAST AS  
"HYPOCRITES ALONG THE POTOMAC" THOSE MEMBERS OF CONGRESS WHO SAID  
NOTHING WHEN THE FIRST ALLEGATIONS CONCERNING CASEY'S FINANCIAL  
AFFAIRS WERE AIRED YEARS AGO AND WHO NOW ARE CALLING FOR HIS OUSTER.

"AREN'T THEY GUTLESS WONDERS?" ASKED SIMON; ADDING: "WHEN ARE WE  
GOING TO LEARN IN THIS GREAT COUNTRY OF OURS THAT IT TAKES GOOD  
PEOPLE TO RUN THIS GOVERNMENT? WE'RE GOING TO END UP WITH NOTHING IN  
WASHINGTON BUT ACADEMICS AND NEUTERS."

FRUGEL RESIGNED: 3RD GRAF FROM END

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